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Working Paper No. 27

STUDIES OF SMALL-SCALE ENTERPRISES AND URBAN I
IN SOUTH INDIA

By

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CONTENTS

	Page
Preface	i
An Outline of the Research Project	1
The Characteristics of Forms of 'Small-Scale' Production and their Dynamics: case studies from the city of Coimbatore, South India	3
Policy and the Working Poor in India: observations from Coimbatore	58
References	75

PREFACE

This is the first part of a final report on my research project on "Dynamics of the Informal Sector in Tamil Nadu, South India", funded by ESCOR of the Overseas Development Administration. I carried out this research whilst serving as a Visiting Fellow of the Madras Institute of Development Studies in 1979-80, and I conducted fieldwork in the city of Coimbatore in the period November 1979 to September 1980.

The original objectives of my research are stated in the Memorandum relating to my project and which is reproduced here as the first paper. These objectives remained largely unchanged in the execution of the research, though the way in which it was done necessarily differed in some respects from what I had originally planned. The various phases of my fieldwork were briefly described in my summary paper, submitted in July 1981, and they are further referred to in the two main papers in this report. The one part of my research which I was unable to carry out in the manner that I had intended was a detailed local field study relying on participant observation and survey within a small community of people. I was unable to do this in the way I had wanted to because of illness, closely followed by the change in my personal circumstances brought about by the birth of our first child. Instead, with the assistance of five students of social work I conducted surveys in slum areas of Coimbatore and I myself spent a part of the day over several months working with these students in the slums, so that I did get to know a number of people quite well. Still, it was less than I had hoped for. Some of the results of that part of the work are reported here, but other aspects of it will be reported in the second part of my report.

The two main papers presented here provide some answers to the problems which I set out to investigate. They are most deficient with regard to the ideological and political conditions associated with the reproduction of forms of small-scale production and of urban poverty. These will be reported in greater detail in

the second part of my report. Other findings, especially from my slum studies, and relating to rural-urban migration and the composition and character of poor urban households will also be reported later. Further, the two papers here do not include a good deal of detailed material, describing the characteristics of various forms of production and the conditions of labour within them. This is deliberate, for I have aimed at conciseness, and I believe that I have included sufficient material to support my arguments empirically.

Readers may care to refer also to other papers based on this field research: "Urban Labour, Urban Poverty, and the so-called Informal Sector", published in the Bulletin of the Madras Institute of Development Studies in October 1980; and "Two Theses on Small-Scale Industry: notes from a study in Coimbatore", read at seminars in Madras and London and published as a Discussion Paper by the School of Development Studies, University of East Anglia.

It is a great pleasure for me to acknowledge the help of ESCOR in funding my research; to say how much I value the hospitality and friendship which was shown to me by my colleagues and by the staff at the Madras Institute of Development Studies; to thank especially the Director of MIDS, Dr.C.T. Kurien for his support and for his advice (some of which I regret not having taken up as keenly as I should have done); to thank too, the Senior Fellowof MIDS, Mr. S. Guhan, for his wit and wisdom, and my young comrades, especially Messrs Ramachandran and Baradhan, for their enthusiastic criticism. Much of my research would have been impossible without the help and friendship of K.S. Gopalakrishnan, D. Gunasekaran, E. Shanmugasundaram, M. Shanmugam, V.K. Chinnasamy and V. Sekar, all of whom worked hard and with enthusiasm, sometimes in quite difficult circumstances. And as always, Barbara has contributed immeasurably. I would that the work represented in this report was a more adequate expression of my appreciation of all the help and kindness that I have received.

John Harriss

AN OUTLINE OF THE RESEARCH PROJECT

This study has been designed in response to some of the findings of C.T. Kurien and his associates, in their studies of economic change in the South Indian State of Tamil Nadu, and against the broader policy background of the emphasis being placed by the Indian Government on encouragement of small-scale rural industries.

The objectives may be summarised as follows:-

i. To describe informal/small-scale activities in the economy of Tamil Nadu, on the basis of detailed local field studies.

ii. To analyse in particular the linkages and relationships between different production and distribution systems in order to determine how strong the subordination of 'informal' to large-scale activities is, how much growth potential they have.

iii. To analyse the role of finance (merchant/usurer)capital in the informal/small-scale sector.

iv. To analyse the articulation of the economic activities which form the focus of enquiry, in social and political structures.

v. To analyse the impact of government policies in the informal/small-scale sector.

METHODOLOGY

In order to investigate the issues outlined it is proposed to pursue three connected lines of research:

i. Surveys of two or three major industries including both large-scale and small-scale units, and designed particularly to investigate sub-contracting and other relationships between activities.

ii. Surveys of a number of selected informal activities and of small-scale industrial units, directed at the analysis of the organisation of the activities and of production, investment and accumulation, and employment in them.

iii. Participant observation in an urban neighbourhood and studies of a smalple of households and of organisations, with the object of analysing the broader social and political processes involved.

These field research studies will be preceded by study of the broad trends of industrial development in Tamil Nadu, and of government policies affecting industry and employment, based on secondary sources, government reports, reports of private organisations and companies, and official statistics. It is anticipated that here this research project will be able to draw on the results of other research being conducted at the Madras Institute of Development Studies.

THE CHARACTERISTICS OF FORMS OF 'SMALL-SCALE' PRODUCTION AND THEIR DYNAMICS: case studies from the city of Coimbatore, South India

This paper is concerned with the problem of determining the categories which are most appropriate for the description and analysis of Indian urban economies, and with an examination of the dynamics of reproduction of a range of forms of 'small-scale' production. Those who are interested in the analysis of processes of social reproduction, of class formation, and of the reproduction of poverty in urban, industrial India, initially confront two sets of problems. On the one hand there stands a confusion of descriptive categories denoting different kinds of production units and (fractions of) labour markets, and on the other lies a somewhat confused theoretical literature.

It has almost become conventional amongst those studying industrial labour in India to use the terms 'organised' and 'unorganised' with reference to the sections of the labour market which are, or are not included in the scope of the principal existing factories legislation[1/]. This is a usage which is defensible at least in so far as it does accurately denote a major, practical difference between types of employment, and as such it seems preferable to the more commonly used, but more diffuse distinction, between 'formal' and 'informal' sectors. But of course the 'unorganised sector', in particular, subsumes considerable heterogeneity and its analytical value is surely restricted. In addition to these categories, applied primarily to labour markets, there are a number of descriptive terms used to refer to different types of production units. It is conventional to describe as 'large-scale' industry units in which 500 or more people are employed, as 'medium-sized' those employing 50-499, and as 'small-scale' those with between 10 and 49 employees.

But there is another category of 'small-scale industry' - referring to units which are registered as such for the purposes of state promotional programmes, and which are defined as units employing not more than 15 lakhs[2/] of capital invested in plant and machinery. Such units may or may not employ less than 50 people. There are then categories of 'household industry' and of 'village and cottage industries', used variously in the collection of census data and in the definition of the objectives of other government sponsored development programmes; and latterly a 'tiny sector' has been defined, referring to units employing less than 1 lakh of capital and situated in places with less than 10,000 inhabitants. The profusion of categories reflects the attention which has been given to the development of 'small-scale' production in the rhetoric of different Indian governments, and to a lesser extent in the allocation of public resources, in the name of employment creation, decentralisation, equity and democracy[3/]. For analytical purposes these categories are quite clearly of very limited value because they mostly rest upon numerically defined classes and may subsume quite different forms of the production process and of relations of production[4/]. But it is still useful to take them into account because they affect the interventions of the state, and these exercise an important influence upon the reproduction of different forms of production.

On the other hand the more general and more theoretical literature on urbanisation and industrialisation also offers a variety of categories and somewhat contrasted conceptualisations. If we exclude, as unworthy of further elaborate discussion, the term 'informal sector' and do not resort simply to disaggregation according to each manufactured item or traded commodity[5/], we find -emerging to a great extent from the critical literature on the 'urban informal sector' - the following terms, amongst others[6/] :

1. The category of '<u>petty production</u>' is used by Gerry as "... an intentionally vague term covering those units of production which exist at the margin of the capitalist mode of production, but

which are nevertheless integrated into it and subordinate to it"[7/]. He contrasts with this the form of 'small capitalist production' constituted principally by petty producer units which have successfully accomplished the establishment of capitalist relations of production; and that of 'capitalist production' which is 'modern', tends to be monopolistic, and is subject to extensive foreign control. According to Gerry's analysis of petty production in Dakar it is quite strongly subordinated to capitalist production and exploited by it. The mechanisms of this subordination include the dependence of petty producers upon capitalist production for the supply of raw materials and capital goods, and on the output side, various forms of sub-contracting relationships.

2. Santos[8/] uses the term 'upper circuit' to refer to more or less the same kind of production units as in Gerry's 'capitalist production': "The upper circuit is the direct result of technological progress and its most representative elements are the monopolies. Most of its relations take place outside the city and surrounding area and operate in a national or international framework..."[9/]. Units which are clearly outside the upper circuit are described as being part of the 'lower circuit' of the urban economy (and it is not, therefore, quite the same as Gerry's 'petty production', which seems to refer more specifically to self-employment). Santos also uses a third category, that of the 'marginal upper circuit' which, he says, is "... composed of less modern forms of production /and/ either emerges out of the remnants of anterior organisational forms or as a response to demands which do not necessitate the most modern forms of activity"[10/]. He too, therefore, works with a tripartite scheme, and it parallels Gerry's, though without being quite the same.

3. Quijano[11/] has another similar scheme, though with different emphasis. He considers that in Latin American economies there is a hegemonic, monopolistic level of production - again referring to modern, monopolistic and significantly foreign-owned industry; a level of 'competitive capitalism', which is generally in decline as

its markets are invaded by the hegemonic level, but is still able to persist 'to a certain degree'; and the '<u>marginal pole</u>', which is "... a level of activities and mechanisms of economic organisation which are continually losing the possibility of increasing capital accumulation /and which/ tends to expand and become differentiated: artisanry of goods and services, petty commerce of goods and services (etc)... This depressed level of the economy contains a complex of characteristic occupations, of mechanisms for their organisation, that is labour relations, which are not those of the dominant formation... /and/ the defining element is precisely the lack of stable access to basic resources of production which serve the domant levels"[12/]. The development of this 'marginal pole' is the reciprocal of the establishment of the hegemonic level, and with it is associated the creation of an increasingly "marginalised" labor force. For Quijano, unlike many other writers on Latin American cities, 'marginalisation' refers to a process rather than being simply a descriptive term, but he does still believe that the 'marginalised labour force' is different from what Marx calls the 'industrial reserve army' because, in Quijano's view, it is not necessary for the marginalised labour force to exist in order for accumulation to be possible at the hegemonic level[13/]. So whereas a writer like Gerry sees the lower levels of production as being subordinate to higher levels through relationships of exploitation, Quijano's argument is that subordination operates through lack of access and not, primarily, through economic surplus extraction.

These three sets of categories and the analyses which are tied up with them are not absolutely comparable though they are alike in the sense that they rest upon a <u>broadly</u> similar mode of explanation, which is anti-dualist and emphasises that the characteristics of the 'lower forms' are defined in terms of their relationships with the dominant forms of production in the economy, and that these dominant forms constitute part of a structure of dominance and dependence existing on a world scale. They are also alike in that they

share a more 'pessimistic' view of the future of the activities and forms of production which fall outside the hegemonic level, than is implicit in the 'informal sector' approach [14]. But the analyses on which they rest do differ in terms of their construction of the relationships between 'levels' and 'forms' or 'circuits' of production, with Gerry's (or even more so, the related work of A.N. Bose on Calcutta [15]), stressing the exploitation of lower levels rather more than others. It seems to us that the nature of the relationships between various forms of production is a matter for empirical investigations, given the variety of modes of subordination which may exist.

The problem with these categories is that they are, as Gerry at least admits, vague, so that their use in empirical research is difficult. The extent to which the three authors we have cited intend to make the same distinctions is a matter for their readers' judgement. Their vagueness derives from the imprecise combination of empirical description and of theoretical definition which appears in each scheme, and perhaps from an element of tautology within them. For this reason the approach advocated by Bademli [16], based on the distinctions of different forms of the capitalist labour process first made by Marx, seems to us to offer a firmer starting point. Marx distinguishes basically between 'factory' production, or machinofacture in which the skill of the worker passes over to the machine, and 'non-factory' production, or manu-facture, in which the social cooperation of labourers is the principal characteristic. Amongst these 'lower forms' of capitalist production Bademli then suggests that we may distinguish between 'workshops', characterised by detail work and specialised skills, and 'artisan shops', characterised by craft work and composite skills. It is Bademli's view, we may note, that in advanced capitalist countries the relationships between higher and lower forms of production, or between factories and workshops, may be likened to a 'negotiated peace', because the different forms are integrated together especially in sub-contracting arrangements. In countries

like Turkey, where Bademli conducted his own research, the relationships may be seen rather in terms of an 'un-negotiated peace', because of the way in which factory production has been implanted from outside, and because of the segmentation of markets. This means that workshop production may survive alongside factory production whilst not being much integrated with it.

Both workshops and artisan shops are organised by capitalists so that we may distinguish also 'petty commodity producers' - those who themselves labour, using raw materials and tools over which they exercise some control, to produce commodities which they sell in order to reproduce themselves and their production process. The analysis which follows makes use of this category, and that of the 'workshop', because they rest on quite precise theoretical distinctions,[17/] and do not presuppose particular kinds of relationships between forms of production in the way that is characteristic of the other formulations which we have reviewed. Our analysis is then directed at the problems of determining the character of these relationships, and of the processes of reproduction of the different forms of production themselves.

Context and Empirical Background

The state of Tamil Nadu in south eastern India, and its capital Madras, have been behind only Maharashtra and Bombay in western India, and Bengal and Calcutta in the east, in terms of their share of the industrial economy of the country. Industrial development in the state has been subject to the same sluggishness which has characterised industrial growth in the country as a whole since the mid-1960s (with the exception of a brief period during the Emergency). And there is evidence too, showing that the rate of growth of employment in manufacturing has lagged behind such growth of investment and of productivity as there has been. The extent of foreign ownership is controversial, but has probably been increasing in the country as a whole, in spite of such celebrated affairs as the

expulsion of Coca-Cola and of IBM in the recent past; and there is a good deal of evidence of increasing monopolisation, which seems to be assisted by the legislation which is intended to control it. [18/]

Coimbatore, in south western Tamil Nadu, is a small city (population in 1971 6-700,000 [19/]), second (though by a long way) to Madras in terms of population and its industrial importance. It is situated in a semi-arid but intensively cultivated region in which commercial cotton growing became established in the last century. An important cotton-spinning industry was then established, really only after the First World War, and mainly by powerful landowners who also cultivated and traded cotton. The industry still dominates the city and provides about 50 per cent of registered manufacturing employment; and it was the demands of cotton spinning and the money of the most important mill owners which gave rise to the engineering industry for which Coimbatore is also well known. Coimbatore's basic metal industries - foundries for the casting of iron and other metals, and aluminium rolling mills, engineering industries - manufacturing textile machinery, light machine tools and prime movers; and metal fabricating industries - originally the manufacturing of structures for factory building, but latterly including also the manufacturing of consumer goods such as steel furniture and aluminium and stainless steel vessels - all these industries were first established to supply the cotton mills. Another important stimulus was supplied by the agricultural interests of the first industrialists and their demand for water lifting equipment for use in cultivation in the dry region of Coimbatore. The manufacture of electric motors and pumps, for irrigation and domestic water supply, remains a major section of the engineering industry of the city, and the manufacture of electric motors has in turn given rise to other industries requiring their use. Finally, another important section of the engineering industry is the manufacturing of accessories for the automobile industry (such as filling station equipment), first established by two men from the same dominant group of landowner-traders, who moved into transport operation rather

than into cotton spinning. An overwhelming majority of engineering units are 'workshops', as we have defined them, for even units employing many more than 50 workers are characterised by detail work and by manufacture, based on lathes and drilling machines.

Table 1 shows that the engineering industries (nos.33-37 of the National Industrial Classification) dominate in terms of the numbers of registered units of production (that is units registered as 'factories' under the terms of the Factories Act), and that registered 'small-scale industry' (units registered as such with the Directorate of Commerce and Industry) is also heavily dominated by engineering. The great majority of the largest units of production, and of the factories as we have defined them, following Marx, as well as the most important employers of labour, are still those in the cotton textile industry. Otherwise the most important factories are the Lakshmi Machine Works, the principal manufacturer of textile machinery in India, and Textool, another manufacturer of textile machinery; a plant producing viscose fibres, located outside the city; two big cement works, also located outside the city, a processing plant belonging to Brook Bond; and a number of flour mills. Foreign participation is most important in the case of the Lakshmi Machine Works (which involves Swiss and Italian collaboration) and the viscose plant (with Italian particpation). The cotton textile industry, however, has always been owned by Indian capital in Coimbatore. It has been subject like the Indian cotton textile industry as a whole, to persistent cyclical problems which have been associated with the emergence of a dualistic structure within it, with a few firms constituting an oligopolistic group in the market for 'luxury' textiles while the bulk of the firms compete with one another in the market for cheaper varieties of textiles. C.P. Chandrasekhar has shown that "... the same factors that lead to a slow rate of growth of demand /an important part of the cause of the recurrent problem of the industry/ also provides the basis for a redistribution of the benefits from the existing market in favour of a few well-endowed firms"[20].

Table 1: Factory Industry of Coimbatore 1979. (Coimbatore Taluk data)

Industry	size of units (numbers employed) (i) 10-20	21-50	51-100	101-500	above 500	Total	(ii) % of all employment in reg.ind.	(iii) registered SSI units
20-21 Food Prods	23	9	3	1	1	37	3	15
22 Beverages	0	0	1	1	0	2		13
23 Cotton textiles	25	33	17	25	35	135	49	0
24 Other textiles	3	0	0	0	0	3		0
26 Hosiery & Garments	1	3	0	0	0	4		16
27 Wood Prods	16	5	0	0	0	21		33
28 Paper Prods & Printing	41	11	3	2	1	58	1.8	119
29 Leather Prod	1	1	1	0	0	3		16
30 Rubber & Plastic Prod.	33	11	4	3	0	51	2	85
31 Chemicals & Chemical Prod.	9	9	1	0	0	19	3.8	72
32 Non-metallic mineral prods	16	6	0	0	2	24	3.4	67
33 Basic Metals	68	55	9	6	1	139	8.8 }	244
34 Metal prods	30	17	0	4	0	51	3.4 }	261
35 Gen machinery & pts	88	58	18	12	3	179	17.5 } 35.8	312
36 Electrical machinery	12	13	5	6	0	36	2.6 }	181
37 Transport equipment	12	10	5	7	1	35	3.4 }	36
38 Other manufactures	3	1	2	0	0	6		20
Others	5	5	3	0	0	13		0

Notes:

(i) 'Factory Industry' here refers to units which are registered under the factories Act with the Inspectorate of Factories. According to the terms of the Act this should be all units employing ten or more people and using power; or all units not using power but employing twenty or more people.

(ii) These data, showing the percentage of all those employed in registered units who are employed in a particular industrial group, were taken from the records of the Factories Inspectorate in Coimbatore.

(iii) These are the numbers of units registered as 'Small-Scale Industries' with the Directorate of Industry and Commerce.

The evidence of the Administration Reports of the Inspector of Factories for Coimbatore suggests that there has been some increase in employment in the cotton textile industry in the recent past, but this increase turns out on closer inspection to have been made up largely by an increase in employment in registered cotton gins, while employment in spinning and weaving has remained roughly constant [21/]. It is widely held in Coimbatore, by experts at the South Indian Textile Research Association no less than by trade unionists, that the problems of the textile industry - which led to the nationalisation of a considerable number of mills in Coimbatore mainly in response to political fears of the consequences of massive redundancies - and the process of modernisation of plants, has led to some retrenchment of workers. The industry is not generating a demand for more labour. Some managements have negotiated agreements whereby they are keeping on workers until their retirement, even if there is not really work for them to do, and these workers will not be replaced when they retire. There are also agreements which give workers the right to nominate successors to their jobs. This is all indicative of the stagnant nature of the demand for labour in the textile industry, and these points, together with evidence (some of it reported below) for an increasing emphasis on indirect and non-specific labour use in the engineering and metals industries, suggest that in spite of increases in specific labour use in the factory sector in the recent past (through the setting up of the viscose plant in particular), it will probably not increase very much in the medium term. It seems very unlikely to absorb an increasing proportion of the labour force of Coimbatore, which is swollen by migration from nearby rural areas within Tamil Nadu and the neighbouring state of Kerala [22/].

The data on which this analysis is based comes from field studies of workshops and some factories in the engineering and metals industries, and of groups of petty commodity producers(PCP) both in these industries and outside them. An individual researcher lacks the resources necessary for conducting a census of the very many workshops and PCP units which are not registered in any way, so that

there is a problem in sampling and the approach adopted had, perforce, something of a Heath Robinson character. Production units registered with the Inspector of Factories and units registered as 'small-scale industries' (henceforth 'SSI') were sampled systematically, and data were collected from 15 of the 53 units registered with the Inspectorate of Factories and employing 50 or more people, in categories 33-35; and from a 10% random sample of registered SSI in categories 30 (plastics and rubber industries) and 33-35. But these data obviously excluded material on a large population of workshops and PCP units, and it was attempted to find out about these in a representative way by using data from a survey of occupations in 5 slum areas of the city, these areas having been selected to represent different circumstances within Coimbatore, and from interviews in another part of the city characterised by large numbers of workshops, and where we lived for almost 10 months. The data that we have, then, on 87 workshops and 84 PCP units cannot be claimed to derive from a statistical sample, but we believe that these data do represent a wide range of types of 'small-scale' production. The fieldwork was carried out in January-March, May-June and August-September 1980; and though surveys were carried out almost all the interviews were conducted in English or Tamil by the investigator himself, with some assistance, and he became quite familiar with a good many respondents.

Characteristics of the 'lower' forms of production

Table 2: Types of Production Activity

2a: Workshops	No. of units
graded iron castings	8
rough castings	8
aluminium & gun-metal castings	2
electroplating	4
structural metals	2
steel furniture	6
metal vessels	4
manufacturing of springs	2
manufacturing of metal parts	7
agricultural machinery	3
wet grinders	5
textile machinery & spares	5

2b: Petty Commodity Producers

'Traditional' occupations;

Shoe, sandal makers and leather workers(21); goldsmiths (7); basketmakers (2); weavers (2); carpenters (4); tailors (2); tinkers(5); mat-maker (1); stone-mason (1); eatables makers(7)

Total:52

pumps, pump spares & motors	8	'New' Occupations: lathe-shop operators (8); welders (7); vessels manufacturer (1); pattern-makers (2); aluminium & gun metal casters (3); cycle repair (6); 2-wheeler repair (3); frame-maker (2)	
machine shop	11		
plastics, glass fibre parts	9		
others	3		
		Total: 32	
TOTAL	87	TOTAL	84

A detailed description of the production units in the two 'samples', which are listed in Tables 2a and 2b, cannot be attempted here, where we will concentrate upon the characteristics of their owners, on aspects of their financing and on their relationships with other forms of production and with finance capital, in keeping with our interest in the processes of reproduction of these forms of production. In summary, however, we may note:

(i) A majority of the PCP units are one-operson or single household enterprises, and in very few of them is more than one other worker employed. Some of the workshops employ more than 50 people and the modal units employ between 10 and 20 people.

(ii) The money invested in the 'traditional' PCP activities ranges from about Rs.50 to Rs.4000, with an investment of about Rs.1000 (£50-60) being typical. The returns to these producers range from no more than Rs.3 or 4 per day for some basket-makers, weavers or mat makers, to incomes of about Rs.100 per week for many cobblers and goldsmiths, which compares well with industrial wages. Money invested in the 'new' PCP activities is generally greater and ranges from about Rs.1000 in the case of cycle repairs to as much as Rs.10,000 in the case of lathe shops. Some of these PCPs have succeeded in generating investible surpluses and their incomes compare very well with those of permanent factory workers. Investments in workshops range from several thousand to several lakhs of rupees, though the majority fall in the range Rs.7000 to Rs.70,000.

Ownership and Financing

It is striking that those workshops which are registered under the Factories Act are most commonly units which have been started by those with managerial or professional, or business backgrounds. Workshops which aren't registered, on the other hand, are more likely to have been started by workers or artisans, and those which do belong to managerial or professional people are often only side-businesses or businesses which have been started only recently. (see Table 3)

Table 3: Ownership of Workshops

All workshops		Workshops also registered under Factories Act
workers	40	8
artisans	2	0
manager/professional	26	14
industrialist	2	2
trader	9	2
agriculturalist	6	3
other	2	0
TOTAL	87	29

Note: the sample of workshops registered under the Factories Act is a sub-set of the main sample of 87 units.

The significance of this observation is that former managers/professionals who are also more highly educated than worker-industrialists, and as one might expect, come from wealthier and higher caste backgrounds too, generally enjoy much easier access to the cheap institutional credit now being made available to 'small enterprises', than do worker-industrialists (see Table4). They are also more likely to be able to raise funds through the fixed deposits of friends and relatives, since they mostly come from close-knit, relatively affluent caste communities. More of the worker entrepreneurs come from lower ranking communities and do not have a network of well-placed caste fellows and kin on which do draw, though even they very rarely come from the lowest ranked caste communities (in Coimbatore dominantly Pallans and Chakkiliyans, both

of them 'untouchable' groups). These differences in access to financial resources exercise an important influence upon the possibilities of survival, and even more upon the possibilities of expanded reproduction, of the different units. All of the registered workshops have experienced expansion and accumulation, and so have almost all of the others which belong to managers or professionals. Only two-thirds of the unregistered workshops belonging to former workers have experienced expansion and accumulation (see Table 4). This difference may be due in part to the fact that the unregistered units are generally of more recent origin, but it is unlikely that the greater difficulty which worker entrepreneurs experience in relating loans from formal credit sources, and their greater reliance on informal credit at higher interest rates, does not play a large part in explaining the differences between the two groups. The point is strengthened when we note that worker entrepreneurs who have received assistance from formal credit sources, have more often than not had access only to a limited overdraft facility.

Table 4: Financing and Growth of Workshops

Units which have received institutional financing facilities (as % of total)

Type of owner	original finance: registered workshop	original finance: unregistered	finance for further investment: registered	finance for further investment: unregistered workshop
worker-artisan	13%	7%	88%	50%
manager-professional	38%	29%	95%	50%
use of chit-funds or private financiers				
worker-artisan	13%	25%	25%	25%
manager-professional	0	5%	5%	10%

unit in which there is a record of accumulation (up to 1979-80)

	registered units	unregistered
median date of start	1970	1973
	100%	(22/34)65%
manager-professional	100%	(16/19)84%

Petty commodity producers are often people carrying on their

hereditary occupation, which is generally also a caste-specific occupation (48 cases), or they are people who were formerly employees in workshops or other businesses. Some started as apprentices in the same line. Those who are engaged in 'new' activities come prominently from hereditary artisanal (7 cases) and agricultural backgrounds (8 cases), or from families dependent upon employment in the public sector (6 cases) or in factories (5 cases). A minority come from general labouring backgrounds (6 cases). In sum petty producers do not come from the lowest levels of society, either in terms of income and occupational categories, or the ideological structure of caste. Few of them are from very low castes with the exception, of course, of the leather-workers and shoemakers, who are all from the untouchable Chakkiliyan caste[23/]. Of them all 14 have had no education at all and 29 have been educated up to the fifth standard or below. Only 9 advanced as far as the Secondary School Leaving Certificate ('SSLC'). The general level of education is higher among those engaged in 'new' activities - and only 3 of them have had no education at all.

Although, as we have pointed out, PCPs do not come from the poorest social backgrounds, their access to financial resources and to raw materials is almost always very uncertain. The initial finance for 'traditional' PCP units has come almost entirely through inheritance, and the subsequent financing of the units has depended on whatever savings it has been possible to make, and upon small loans, commonly from <u>kanduvaddikaran</u> or petty moneylenders. These are people who loan money for interest ranging from rates as high as 10 per cent per week, or 12 per cent over 10 days, to rates of the order of 20 per cent on a loan of Rs.1000 over 100 days (which is a rate that is not very much higher than those charged for some forms of consumption credit in this country now!). Such moneylenders include shopkeepers and traders, some factory workers and public service employees, as well as specialist private bankers (some of whom employ special collectors). None of the 'traditional' PCPs in this sample did not rely to some extent upon small loans from the <u>Kanduvaddikaran</u>, or on advances from traders

in the commodities they produce (this is true in particular of shoemakers and basket-makers). Four cobblers, and one of the basket-makers have received some assistance from banks in the form of 'small loans' under schemes which have been encouraged under the stated aims of the Indian government for the relief of poverty. These schemes have not been very actively developed so far by the nationalised banks, for which the concept of 'needs-based banking' is less attractive than it is to the rhetoric of politicians.

In addition to the problems of finances which they confront, some of these PCPs also have to contend with uncertain access to raw materials (galvanished iron in the case of tinkers, bamboos for basket-makers - and, amongst the 'new' activities, aluminium for makers of aluminium vessels and welding rods for the welders). In times of shortage these small producers are at a severe disadvantage.

Table 5: Financing of 'new' PCP activities (data for 30 units)

Starting capital		Later financing	
Family funds	11 units	Bank finance	6 units (2 term loans (4 'small loans'
Personal savings	17		
Private loans	8	Private loans	13
Chit funds	3	Chit funds	4

Initial finance for the 'new' PCP activities (see table 5) has come from family sources and personal savings - mainly gratuity and provident fund payments to those formerly employed in large firms - but also from private loans and chit funds. Six units have received loans from the nationalised banks, two of them being term loans, but the others only small loans of the kind taken also by some of the 'traditional' PCPs. It is possible for some PCPs in these 'new' activities to develop their enterprises into workshops, but to do so they must generally have access to financial assistance and this is likely to be available only to those who have special relationships with formal credit institutions through caste or other personal connections (see later remarks on 'linkages').

A note on big capital and small workshops, and on 'multiple ownership'

'Small enterprises' are not necessarily owned by 'small capitalists', and amongst the 90 units in our survey of registered 'SSI' (including both 'workshops' and PCP units) and entitled thereby to access to the facilities made available by the state for the encouragement of such industries [24/], were four units directly owned by factory owners with interests also in the 'monopoly' sector. Textile mill owners entered the pump and motor industry at an early stage, for example, and they have also sometimes set up workshops, registered as 'small-scale industries', for the manufacturing of spares for textile machinery. There are other industrialists who own groups of 'small-scale industries', though the ownership of the different units is made to appear different by what the industrialists call 'benami' registrations, whereby a unit is registered in somebody else's name, usually wife or child. In such groups the value of capital invested in plant and machinery and the numbers of those employed in all the units put together may be equivalent to the levels of so-called 'large-scale industry'. Five of the workshops in the sample of 90 belong to industrialists of this kind, who, by their own accounts of their decisions, have found the arrangement advantageous in terms of diversification and flexibility, and particularly in the interests of labour cost and control. These factors appeared to be of greater importance than the incentives of cheaper credit and the possibility of reduced taxation, offered to 'SSIs'.

In addition to these quite big industrialists' multiple holdings, however, 'multiple ownership' (the ownership of several units by the same individual(s)) is a much more general feature of the ownership of small-scale industries in Coimbatore. Amongst the 29 workshops which are registered under the factories Act there are 20 which belong to people who also own other workshops, numbering 40 in all. The sample of 29, therefore, provides entry to a group altogether of 69 small production units. We may conclude that although there are nearly 1500 units in Coimbatore which are registered as 'SSI', there are only just over half

as many real 'owners' of such units. As with the ownership of several units by big industrialists the reasons for multiple ownership of 'small-scale' workshops include advantages of diversification (extending the range of electric motors and of types of pumps manufactured, or adding a new product altogether) and of complementarity (as when the owners of a small foundry add on a machine shop). Most frequently, however, multiple ownership of these kinds of units reflects various forms of 'splitting', where a single workshop is registered as 2 or more separate companies, or where, as is often the case with the manufacturing of steel furniture in Coimbatore, an industrialist owns several units of a very similar type so as to avoid having to pay higher levels of sales tax or central excise. These various reasons for multiple ownership are interwoven with considerations of labour cost and control.

As might be expected, the incidence of multiple ownership amongst unregistered workshops is lower (it occurs in about one-fifth of cases); and only in two cases is more than one other unit involved.

The relations between 'lower' and 'higher' forms of production: sub-contracting and linkages.

> Durairajan owns a large workshop (officially a 'medium-sized factory'), producing a range of small machine tools. The workshop has a partially-automated foundry section, sheet-metal and machine shops and it employs altogether about 200 people, most of whom receive provident fund and other benefits, and who are union members. Not long ago more were employed in the workshop, but it is now Durairajan's policy not to replace men who leave, whilst he is also encouraging some of the experienced workers from the machine shop to leave and to set up their own small workshops. He has helped those who have agreed to do this by selling them second-hand machinery at its book value, and by giving them orders for work. It is this that he refers to, jokingly, as "Our Socialism!", or the 'sharing out' of the prosperity of his firm. Whether or not this pattern of paternalistic sub-contracting does mean prosperity for the men who set up small workshops and undertake 'jobwork' for Durairajan is a question we consider. Durairajan himself certainly benefits, for - according to his own account - by splitting up his machine shop

> he has been able to reduce the costs of production of the small drilling machines for which his company first established its reputation, through lowering labour costs and by cutting down overheads. Those who undertake 'jobwork' for Durairajan receive materials and the specifications for the parts they undertake to make; and the parts are quality controlled on their return. The jobworkers are paid only for the work which is found satisfactory, and the costs of materials wasted on parts which are found not to pass the quality control are deducted from their total payments. Durairajan finds that he can get certain types of work done more quickly and more carefully in this way. He has benefited at the same time by having got rid of some workers who, whilst having valuable experience and skills, were also leading union members and at least potential 'trouble-makers'. Durairajan is one of the many industrialists of Coimbatore who talks spontaneously of the problems of controlling labour (although he has actually had only one quite serious strike in the 25 years in which his firm has been running). By splitting up a formerly more integrated process of production Durairajan has achieved a number of objectives, relating to labour costs and control over the labour process, whilst retaining some of the advantages of economies of scale, as in the purchase of raw materials.
>
> In addition to assisting the establishment of jobwork units Durairajan has also set up two new small workshops of his own, though they are both nominally owned by other family members, and he says that it is now his policy to set up more such 'ancillary' units, because they will not be unionised, labour problems will therefore be averted, and wage costs may be brought down. The level of taxation, via central excise, may also be reduced. He says that it is only in this way he can continue to compete with manufacturers of small drilling machines in North India. Meanwhile he is developing more sophisticated products in his main workshop (perhaps now better described as a 'factory').

Durairajan's story, which is paralleled in some other of the large enterprises in the engineering industry in Coimbatore, illustrates the possible roles of sub-contracting between large and small units, or between workshops and petty commodity producers or workshops and factories. By 'sub-contracting' we refer to those arrangements whereby:

"the party offering the sub-ctntract (parent firm, enterprises or company) requests another independent enterprise...to undertake the whole or part of an order it has received instead of doing the work itself, while assuming full responsibility for the work vis-a-vis the customer. Sub-contracting differs from the mere purchase of ready-made parts and components in that there is an actual contract between the two parties setting out the specifications of the order"[25]. Durairajan sub-contracts work in just this way, mainly the machining of parts, to small workshops and to PCPs.

Table 6: Sub-contracting and Linkages

Sub-contractors (own materials)		for big factories	25 (13)
		for workshops	5
	job-work	for big factories	4
		for workshops	2
'tied' sub-contracting		for big factories	4
	(own materials)	for workshops	1
		for a trader	1 (1)
	job-work	for big factories	3 (1)
TOTAL SUB-CONTRACT			45 (15)
		for factory sector	37
Production of Parts or Finished Goods on order from		factory sector	11 (6)
TOTAL WITH PRODUCTION LINKAGES WITH FACTORY SECTOR			48 (21)
Producers of Finished Goods			26 (6)
Producers of Parts for other small units			6 (2)
Total number of Workshops			87 (29)

Note: Figures in brackets refer to units registered under Factories Act.

The pattern of sub-contracting relationships entered into by workshops in our sample, both those which are registered under the Factories Act, and those which are not, is shown in Table 6. It will be seen that 45 per cent of the registered workshops and 35 per cent of the whole sample are engaged in sub-contracting in which they put their own materials, and that totally just over half of the full sample are

engaged in some form of sub-contracting. Nine units (10per cent) are engaged in one form or other of 'tied' sub-contracting, with a single parent firm, as Durairajan's former workers are mostly tied to him because they rely on him for orders and assistance. As many as 37 units (or over 40 per cent of the total) are actually engaged in sub-contracting relationships with 'large-scale' factory industry (most commonly with big textile mills, with L.G. Balakrishnan Brothers, who are the manufacturers of a range of products, mostly related to the automobile industry, and in some of which they hold a monopoly position in the market; with the Lakshmi Machine Works and with Textool; and with the Bharat Heavy Electricals Ltd., in the town of Tiruchirapalli, just over 100 miles away).

Sub-contracting has been seen as a dyhamic aspect of industrial growth and Watanabe[26/] and others have drawn attention to its positive role in the industrial development of Japan, whilst pointing out that "...the lack of ccooperation between large and small enterprises remains conspicuous in developing countries"[27/] (and compare Bademli's conclusions from Turkey, reported above). It has been argued that "...if the government takes appropriate measures to ensure prompt payment and other fair trade practices, sub-contracting can be a most effective means of stimulating industrial activity by small entrepreneurs and promoting small enterprises, without sacrifising economies of scale"[28/]. Rosen found out that sub-contracting was little developed in his study of Indian industry in the 1950s[29/], and he, like Watanabe, argued that government should encourage its development in the interests of industrial 'efficiency' (by reducing underutilisation of capacity in large plants, for example) and of the growth of small enterprises. Others, however, have been less sanguine about the prospects for the development of small firms under these conditions of linkage with large-scale factory enterprises (see, for example, Gupta's report on sub-contracting in the automobile industry in the town of Burse in Turkey [30/]). Watanabe too refers to the possibility of the exploitation of sub-contractors by parent firms when the conditions he refers to (in the passage we have cited above) are not fulfilled - as they evidently

were not, for example, in the case of small firms supplying BL in Coventry in the 1970s. According to Friedman[31/] a good many such firms were made bankrupt as a result of delays in payments from BL. What is the role of sub-contracting in the engineering industry of Coimbatore, and what are its implications for the reproduction of workshops and PCP units? Does the kind of sub-contracting system developed by Durairajan provide opportunities for establishing independent units of production or does it only set up those whom we might call "subsistence engineers"?

It is suggested that large enterprises may benefit from sub-contracting arrangements in various ways: (a) by saving capital; (b) by saving labour costs; (c) by diversifying the product range without sacrificing economies of scale in the main production lines; (d) by taking advantage of the sub-contractors' specialised technology; (e) by increasing adaptability to market fluctuations. It is further suggested (by Watanabe[32/]) that in Japan the first two considerations have been most important while in Europe and America the last three have been more significant. In the case of Durairajan's system, and those of the other firms like his, factors (b), (c) and (e) are all s salient, though we have seen that, at least according to their own accounts, the factor of labour control and cost was most important for the capitalists concerned. This is not necessarily true in general of sub-contracting in Coimbatore, for if we consider the work in which small units of production (workshops and PCP units) are engaged as sub-contractors we find that a number of specialised activities are performed (see Table 7).

Table 7: Specialised Activities of Workshops

	Registered as SSI		Unregistered (workshops & PCP)	
sub-contractors				
	Textile mill spares	(2)	Electro-plating	(1)
	Sheet metal parts & pressings	(1)	Plastic parts	(1)
	Plastic parts	(2)	Sheet metal parts	(2)
	Castings	(7)	Machined parts	(2)
	Structural metal fabrication	(1)	Aluminium and gun-metal casting	(2)
			Castings	(3)
			Glass-fibre ranks	(1)

tied sub-contractors				
	Casting	(1)	Machined parts	(1)
			Sheet-metal parts	(1)
			Textile-mill spares	
	job-work		(vis a trader)	(1)
tied job-work			Machined parts	(10)
			Patterns	(2)
	Chain assembly	(1)	Machined parts	(6)
			Castings	(2)
			Sheet-metal parts	(1)
			Patterns	(1)

Amongst the registered workshops the provision of specialised work, with its associated capital savings for the 'parent' firms, may be a more important factor than that of labour costs. The foundries in this group, for example, do specialised work - principally shell castings, used in making cylinder heads in the automobile industry. Here the big parent firms (in the 'monopoly' sector) - several of them located in North India - make use of the specialised knowledge and the intensity of supervision in their sub-contractors' units, thereby making capital savings for themselves in what is a fairly tricky and potentially costly operation. The conditions of sub-contracting amongst the unregistered units are less clear-cut, though in their case too, the provision of specialised work - plastic parts, gun-metal and aluminium castings, electro-plating, glass-fibre tanks - remains important. Those sub-contracting and jobwork units which undertake machining or produce ordinary rough castings, however, fall rather into the Durairajan pattern. Here the parent units save capital and labour costs, though the use of sub-contractors may make diversification possible and increase their adaptability to market fluctuation.

The argument against the view that sub-contracting can be a means of promoting industrial growth depends on a demonstration that it yields situations of unilateral dependence and exploitation (e.g.Gupta[33]). The argument does not appear to be substantiable in the case of the

engineering industry of Coimbatore, when we consider that in our sample of 29 registered workshops, 12 of them started out as sub-contracting or jobwork units and have either progressed to manufacturing on their own accounts (8 cases) or have experienced quite rapid and substantial growth. Eight of the workshops which are not registered under the Factories Act have similarly progressed from origins as jobwork units. But the circumstances of the linkages between small workshops and factory industry are certainly such as to place the smaller units at a substantial disadvantage, and most of the sub-contractors, and indeed the owners of firms supplying parts or finished goods to large scale industry, reported cash flow problems, as they have to give extended credit (commonly 30 days) to the firms they supply, whilst often having to pay on delivery for raw materials themselves. They face credit constraints in these circumstances in particular (like the sub-contracting firms in Coventry discussed by Friedman). They are also subjected to raw materials costs squeezes, because of the inflationary situation and especially because of recurrent raw materials shortages. In 1980 both coke and pig iron were often scarce and available only at black market prices, but at other times mild steel bars and steel sheet, aluminium and raw plastic have all been in short supply. It is usually impossible for sub-contractors to pass on unanticipated cost increases to the parties they supply[34/]. The jobworkers are insulated from some of these difficulties, but many of them experience difficulty in making the transition from jobwork to production on their own accounts. The implications of Durairajan's "socialism" therefore, are not clear-cut; and whether or not a man can pass through the stage of being a "subsistence engineer" depends crucially upon the extent to which he has access to finance, which hangs, in turn, upon his education and upon his social background[35/]. There must be many small workshops and PCP units which fail within a relatively short space of time, though we have no means of establishing what the proportion is[36/].

Studies of industrial development in Japan have drawn attention not only to the quantitative importance of small units and of sub-contracting, but also to its special qualities. In Japan 'shitauke', or 'sub-contracting' implies something more than is given in the definition we cited earlier: "First the relative sizes of the contractor and the sub-contractor are important: the former is larger than the latter. Second, the business relationship between the two parties is continuous, although it is not established as such by law or by contract and can be interrupted during a depression. Third, as a consequence of the first and second features...a paternalistic relation exists between the two...While the contract is usually concluded by tender in European and American sub-contracting, it is not so in Japan, where sub-contractors are generally attached to a single parent company"[37/]. It is believed that this particular kind of relationship between units has been beneficial because it has reduced the barriers to entry of new firms, and references are made to some enormously successful Japanese firms which started out as sub-contractors[38/]. Surveys have shown that, for example, amongst engineering enterprises employing fewer than 300 workers over 70 per cent are sub-contractors and that 20-30 per cent are 'tied' sub-contractors - working for a single parent firm only.

Data for Coimbatore show that just over 50 per cent of 'workshops' which are registered under the Factories Act are sub-contractors, and data for a sample of 85 unregistered enterprises (including both 'workshops' and PCP units) shows that 60 per cent are sub-contractors. But only 16 per cent of the latter sample are 'tied' sub-contractors, and less than 5 per cent of our sample of 'workshops'. It seems then, that while sub-contracting in the engineering industry in Coimbatore is extensive - a fact which suggests that there may have been considerable development in this respect since Rosen wrote in the 1950s - it is still not so strongly developed as it was in Japan in the 1960s, and that 'tied' sub-contracting is very much less important. (Though there is evidence from Coimbatore, in the history of enlightened paternalism on the part of the principal director of the textile machinery firm,

Textool, of the kind of influence on industrial development reported from Japan).

Further information on the relationships between PCPs and higher forms of production is summarised in Table 8: and these data will be further discussed in our conclusions.

Table 8: 'Linkages' of Petty Commodity Producers

	traditional activities	new activities
'Disguised Wage Workers'	10	4
'Dependent Workers'	15	4
'Self-employed'	25	24
Nature of product		
Consumer goods	41	10
Parts/service	9	21
'Producer' goods		1
Supply to 'large scale industry'	3	9
Work for labour charges	16	24
Dependent on advances - from customers	3	7
- from traders	14	1
- from money-lenders	7	14

The Character of the Labour Markets of Coimbatore

It is the purpose of this final section of the paper briefly to describe the characteristics of the different sections of the labour market, using a set of categories for this purpose based on the distinctions made by Bromley and Gerry[39/]. Whereas they distinguish between 'permanent wage workers', 'short term wage workers', 'disguised wage workers', 'dependent workers', and finally those who are 'truly self employed', we distinguish permanent wage workers (in factories and workshops registered under the Factories Act), short term wage workers - by which term we refer to casual and temporary workers, and to contract workers in the same registered factories and workshops, and also to those who are 'permanently' employed in small workshops which are

unregistered and whose jobs are thus unsecured by protective legislation; casual wage workers - those who are employed outside manufacturing or service establishments, like construction workers, 'kalasi' workers (load carriers, porters), and pullers of hand-carts, and dependent and self-employed workers - more or less independent producers and traders. We have found the differences that exist within Bromley and Gerry's category of 'short-term wage workers' to be rather important, and believe that it is useful to distinguish between those who are employed in manufacturing or service establishments, and those who are employed outside them, like construction workers and porters. In part the difference here is that between those who are often at least semi-skilled and who may in fact enjoy a good degree of permanency and stability of employment - in small workshops which are often run on paternalistic lines - and those whose employment is intrinsically restricted to short term contracts and for which they must search almost continuously. (Paradoxically perhaps, the latter may be much better organised than the former. Kalasi workers in Coimbatore have unions with wide memberships; those employed in small workshops are not usually unionised). The difference here is clearly not an absolute one, but one of shades on the continuum about which Bromley and Gerry have written. Finally, we do recognise the distinctions made by Bromley and Gerry between dependent workers, disguised wage workers and those who are 'truly' self-employed - and we have made use of the distinctions in our analysis of petty commodity production units (see Table 8). For purposes of this analysis of labour markets, however, we have taken all petty producers and traders together.

The analysis draws on data from: (i) a sample of 123 workers in 6 factories and large workshops in the engineering industry which are registered with the Factories Inspectorate (i.e. they are in what may be described as 'the organised sector'); (ii) a sample of 85 workers in 15 unregulated workshops (i.e. they are from the 'unorganised sector'); (iii) data on 826 'slum' households in which the households heads were distributed between the categories which have just been distinguished, in the following manner:

Table 9: Occupation of Household Heads in 'Slum' Households

1. Permanent wage workers	141 (17)
2. Short-term wage workers	151 (18%)
3. Casual wage-workers	246 (30%)
4. Dependent workers) 5. Self-employed workers)	238 (29%)
Others (including 26 agricultural coolies; 2 cultivators; 19 unemployed; 2 dependent persons and 1 beggar)	50

For the purpose of this paper we will examine some of the characteristics of the permanent wage workers in sample (i), those of the short-term wage workers in sample (ii), and of casual workers and dependent and self-employed workers from sample (iii). This procedure involves the difficulty that the samples of permanent and short-term wage workers were drawn from randomly selected manufacturing units in different parts of Coimbatore; whereas the samples of the other workers were drawn from studies of households in five 'slum' areas of Coimbatore (the five areas having been chosen purposively to represent different zones within the city). Different parts of the city do have different occupational traditions or 'cultures', and the samples thus conceal biases that we are unable to control. Further, our sample of permanent wage workers is drawn exclusively from units in the engineering industry - and knowledge of this and of the textile industry suggests that the workforces of these two major organised sector industries are rather different from one another. It cannot be claimed that these are 'scientific' statistical samples, and only a very much larger project than our own could have established the means for working out and examining really adequate samples. The *raison d'etre* for our endeavour is that such large scale research has not yet been conducted; and yetit is recognised (see for example Joshi[40/]) that there is a need to explore the internal contours of what has been designated as the 'unorganised'/informal sector, and its relations with the 'organised sector'. What follows is a preliminary venture in this field

of study.

Where do different groups of workers come from?

Table 10: Origins of Coimbatore Workers

	1	2	3	4
Coimbatore	35(28%)	34(40%)	129(57%)	106 (45%)
Village near CBE	35(28%)	17(20%)	5(2%)	2
Brought up in CBE	9(7%)	12(14%)	20(9%)	17(7%)
Coimbatore District	24(20%)	2	27(12%)	23(10%)
Elsewhere in TN	10(8%)	8(9%)	6(3%)	26(11%)
Nilgiris	5	1	0	1
Kerala	5(4%)	11(13%)	40(18%)	61(26%)
Others (including Sri Lanka)	2	0	0	2
TOTAL MIGRANTS	44(36%)	22(26%)	73(32%)	111(47%)

Note: 'Total migrants' does not include those from 'village near Coimbatore' which indicates commuter villages. Note also that out of 246 casual wage work households data has been tabulated for only 227 at this stage.

About one-third of the workers in sector 1 are migrants, though they are mainly from other places in Coimbatore District; while only about a quarter of workers in sector 2 are migrants, a majority of them being from Kerala. It is also noteworthy that many more of the workers in sector 2 than sector 1 are natives of, or long term residents of Coimbatore city. These differences are probably related to the much more strongly agricultural background of workers in sector 1 (the significance of which is discussed below). The casual wage workers of sector 3 are drawn most strongly from Coimbatore city itself and also from Kerala and from places in Coimbatore District, whereas amongst the petty producers and traders of sector 4/5 residents of Coimbatore city are somewhat less strongly represented and migrants from Kerala and from elsewhere in Tamil Nadu more strongly so. The significance of these observations also will be more clearly understood in the light of other characteristics of these sectors of the workforce. Here we may note

the possibility that migrants from Kerala (who make up 47 per cent of the 250 migrants to Coimbatore on whom we have data in these four groups of workers) are most commonly employed outside the 'organised sector' and that they are a particularly important group amongst the petty producers and traders.

What are the backgrounds of the different groups of workers?

As one important guide let us examine the occupations of the fathers of the workers in our samples:

Table 11: Father's Occupations of Different Groups of Workers (per cent)

	1	2	3	4/5
Agriculture	23	7	3	11
Agricultural Labour	7	3.5	28	18
Agricultural backgrounds	45	28	31	29
Trading/business	5.7	4.7	8.8	19
Artisans	20	18	4	26
Weavers	-	-	6.2	2.1
Coolies/kalasi	3.3	4.7	31	6.7
Organised sector workers	23	24	6.6	3.8
Government service	7.3	2.4	0.4	1.3
Others	9.8	34	12	12

Permanent wage workers come equally from agricultural families (30%) and from families which already included permanent wage workers (23% organised sector workers and 7% in government service). Otherwise the sons of hereditary artisans (mostly Acharis - blacksmiths, carpenters and goldsmiths) are prominant; and the sons of casual workers and of petty producers and traders are represented rather little. Altogether 45 per cent of these workers had an agricultural background of some kind (i.e. they or their families own land, or have owned land until recently; or their fathers were tenant farmers or agricultural labourers in rather few cases; or they themselves have worked as agriculturalists or as agricultural labourers). By contrast only 28 per cent of short

term wage workers have an agricultural background (defined in the same way) and fewer of them own land (17 per cent as opposed to 23 per cent). and the average size of their holdings is smaller (4 acres as against 7 acres - counting one acre of wetland as equal to 2.5 acres of dryland). About as many of them as of the permanent wage workers come from artisanal or organised sector backgrounds, but a majority (one-third of the total) have fathers engaged in other occupations - including carters and watchman, a variety of small tradesmen like housepainters and plumbers, workers in small workshops, barbers and dhobis. In other words very commonly their fathers are also short term wage workers or are petty producers. This finding corresponds with our observations that more of the short-term wage workers come from Coimbatore itself.

About one-third of both casual wage-workers and of petty producers and traders come from agricultural backgrounds, though in their case (especially that of the casual wage workers) more are from homes in which the principal source of livelihood was agricultural wage labour. Another one-third of the casual wage labourers are following the same occupations as their fathers, and the sons of weavers form an interesting minority. More of these workers than of the petty producers and traders had fathers with jobs in the organised sector, and most of them are the sons of mill workers who have not been able to follow their fathers into mill employment. By contrast children of hereditary artisans and also of small businessmen are prominent amongst the petty producers and traders. It appears that the hereditary principle operates quite strongly amongst petty producers and traders; and that the off-spring of agricultural labourers and of other, urban casual wage workers are relatively unlikely to become such small businessmen (most of those with an agricultural labour background amongst the petty producers and traders are in fact kerosene sellers, highly dependent commission salesman).

The educational backgrounds of different groups of workers

Table 12: Education of Workers (per cent)

	1	2	3	4
Technical training	22	1	0	0
8th Standard and above	60	24	8	13
Beyond primary education	78	53	16	26
Non formal education	3	13	51	36

Not surprisingly perhaps, it appears that the permanent wage workers are relatively highly educated and the casual wage workers are especially poorly educated. Short term wage workers in unregulated production units are rather unlikely to have had any technical training, but they are generally a fairly literate lot; and petty producers and traders are much better educated in general than the casual wage workers.

The caste backgrounds of different groups

The dominant castes, politically and economically in the region of Coimbatore are the Kammavar Naidus and the Kongu Vellala Gounders; and they are more strongly represented amongst the permanent wage workers than amongst the short-term wage workers. Agricultural castes in general are more prominently represented amongst the permanent wage workers than short-term workers; and amongst the agricultural castes the more highly ranked amongst them like Thevars and Pillais are also more strongly represented in sector 1 than in sector 2. The lower-ranked Konars are more prominent amongst the short-term wage workers. Trading castes, hereditary artisans - the Acharis, and Christians are about equally represented among the two groups, while the Scheduled Castes although they are more strongly represented amongst the short-term wage workers are still not strongly represented. It is noteworthy that one of the companies amongst the organised sector units selected for study, even though it is in many ways a quite exemplary employer, prefers - unofficially - not to employ scheduled castele people. Even amongst the workers in 'unregulated' workshops scheduled castes are most likely to be found working in the moulding shops where work is rather unpleasant and little

skilled, or in casting gangs, where the work is physically hard and somewhat dangerous.

Amongst casual wage workers and petty producers and traders, Muslims (mainly Rowthers) and Chakkiliyans are overwhelmingly dominant, though agricultural castes and Acharis form significant minorities among the petty producers and traders, and the Chakkiliyans are less strongly represented among them. In both groups the Okkaliga Gowdas, a numerically important community in the old Fort and <u>petta</u> area of Coimbatore, form a significant minority. (We should note that the category 'Chakkiliyan' includes within it quite marked differences in living standards and occupations).

<u>Table 13: Castes of the different groups of workers</u> (per cent)

	1	2	3	4/5
Dominant castes (K Naidu & KV Gounder)	16	8	1.75	1.7
Agricultural castes	25	20	2.6	5
Trading castes	5.7	5.8	2.2	2.5
Acharis	15	15	0	6.7
Other artisans	10	5.8	1.3	1.3
Muslims	0	0	42	38
Christians	10	8.2	1.3	3
Pallan	2.4	4.7	3.5	2.1
Chakkiliyan	4	7	38	24
Okkaliga Gowda	0	0	6	6
(other important caste)	Nadars	Nairs		Nadars

We are now in a position to describe the prominent characteristics of members of different sectors of the labour force, at least as they appear from our 'type' samples.

<u>Permanent wage workers</u> in the engineering industry commonly have agricultural backgrounds and come from small landowning families; and many more of them than of other groups of workers are from the locally dominant castes or from other leading agricultural castes.

Otherwise hereditary artisans, the Acharis especially but also other artisanal groups like the Boyars, are well represented amongst these workers. Almost one-third of them come from families in which there was already someone working in organised sector units. They are almost all relatively higher educated and many have had technical training. Corresponding with these observations are the facts that these workers come almost equally (i) from Coimbatore (ii) from 'commuter' villages nearby and (iii) from other places in Coimbatore District or elsewhere in Tamil Nadu. These characteristics are related to the demand of the industry for rather well educated men, who in turn are likely to come from amongst the families of the relatively prosperous agriculturalists around Coimbatore, and from families already having a base in the organised sector. Alternatively they may be drawn from the communities of the hereditary artisans. The demand for well-qualified people (either in terms of the formal system of education, or by possession of hereditary skill) means that recruits to the industry may be drawn from a considerable distance. A further factor influencing recruitment is also that the industrialists who own the organised sector companies are themselves predominantly from the two dominant castes of the region, and have strong connections with agriculture and in the villages from which some of the hereditary artisans have been drawn. Workers themselves commonly say that Kammavar Naidu industrialists give preference to other Naidus (though this is perhaps not so much the case as is believed, at least in the engineering industry). While there may be no positive discrimination against members of the Scheduled Castes, members of these communities are much less likely than others to find employment as permanent wage workers in the engineering industry because they are less likely to be sufficiently well educated or sufficiently well connected. But there is also some evidence of discrimination by employers, as we reported shows; and one of the very few Chakkiliyans in the sample said that he had concealed his true caste identity from his workmates.

This picture would probably be qualified if we took into account the composition and character of the labour force in the textile

industry. Other studies (e.g. by Ramaswamy, and by Perlin) have shown that members of the dominant castes and hereditary artisans from Coimbatore and nearby villages are strongly represented, but also that Harijans are more prominently represented than in this sample of engineering workers. It would, however, be interesting to find out the extent to which people from different backgrounds continue in employment in the mills over several generations.

Short-term wage workers in manufacturing industry are younger (average age in the sample was 25, compared with 31 amongst organised sector workers); they have a much less strong agricultural background; they come less commonly from the dominant castes or from leading agricultural castes; and they are less well educated than the permanent wage workers. Many more of them than of the permanent wage workers come from casual work backgrounds in Coimbatore City; and there is an important minority of workers who are from Kerala. These characteristics may be related to the demand of the unregulated units for cheap labour rather than for well educated people or for skilled labour; and a further factor is that the owners of these units may also come from a similar background. The better educated and often higher caste people working in these units are more likely to be 'passing through' to other jobs in the organised sector, or as employers themselves, than are others.

Casual wage workers are most likely to come from historically low ranking urban communities which have always been largely engaged in unskilled and unpleasant work - like the Chakkiliyans - or which have supplied petty services in the towns - like poor Muslims. Others come from agricultural labouring families and may have recently migrated from rural areas nearby, in Coimbatore District, or in adjacent parts of Kerala. Such migration sometimes follows marriage and it seems that there have long been connections between urban and rural members of these low ranking communities. The level of education amongst these workers is very low - and it might be thought that they are the section of the urban working class to which the label 'lumpenproletariat' could appropriately be applied. It should be noted however, that these

workers are relatively strongly organised in unions; and also that entry to casual employment, as a porter for example, is by no means open to all. It is necessary to belong to a gang operating in a particular street or market area.

Petty Producers and Traders Entry to some of these forms of employment may in fact be much easier than into casual wage work. The petty producers and traders of Coimbatore, however, also come from an urban background - from Coimbatore, or from other towns in Coimbatore district, elsewhere in Tamil Nadu or in Kerala. Only about a quarter of them are from urban or rural labour households, and a majority of them are from petty trading or artisanal backgrounds. Certain activities are still the almost exclusive preserve of particular caste communities. These workers are generally better educated than the casual wage workers.

Relationships between Labour Markets

Discussion of some of the other characteristics of these different sectors of the workforce and of the conditions of work and wages within them must await another occasions. Here we present evidence concerning mobility and the relationships between different sectors - having in view such suggestions as that of Holmstrom[41/], that although the 'organised sector' constitutes a kind of 'citadel' within the labour market(s) as a whole, there are still rather close links between the different sectors. These links include support extended by those already in 'the citadel' to relations and friends who are still outside it. Heather Joshi, however, argues that "it seems unlikely that most informal workers are attached to a breadwinner with a formal sector job". (Refer note 40). We try to answer, for Coimbatore, the questions which she has posed concerning the borderline between what she describes as the formal and informal sectors: Do individuals move easily between them?: and do families have members in both sectors?

The answer to the first of these questions must be that individuals do not move easily between sectors of the labour market (perhaps we would more accurately say "between labour markets"). In our sample of 123 organised sector engineering workers only 32 of them (26 per cent)

had entered from the other four sectors that we have distinguished. Of these 32, 13 (or 10 per cent of the whole sample) had entered their jobs from hereditary artisanal work (i.e. from sectors 4/5) and 20 (16 per cent of the whole sample) had entered their jobs from unregulated workshops or foundries (i.e. from sector 2). Amongst the 826 households which we surveyed in 'slums' areas of Coimbatore we would find only 39 clear cases of movement between sectors, and these were equally divided between instances of movement into the organised sector and those of movement out of it.

Table 14: Mobility between sectors of the workforce (in household survey)

Mobility into permanent wage work	2 to 1:	13 cases
	3 to 1:	5 cases
	4/5 to 1:	2 cases
Mobility from permanent wage work	1 to 2:	3 cases
	1 to 3:	6 cases
	1 to 4/5:	9 cases
and	2 to 4:	1 case
TOTAL:		39

It is also quite unusual to find households with members both in permanent wage work in the organised sector and in other sectors of the labour market. Amongst the 826 households only 33 (or 4 per cent) had members in both the organised sector and outside it. Half of them (17 households) are mill workers' households with wives carrying on a supplementary occupation or with sons who are working as porters, auto drivers or as shop assistants - and who may, or (more likely) may not eventually succeed to their fathers' jobs. Another 7 are Scheduled Caste households in an old 'chari' between the two major areas of Brahmin residential settlements in Coimbatore, where educational standards are relatively high. In these 7 households the children of cobblers or kalasi workers have found permanent employment in reserved positions in government service, through the Employment Exchange.

Amongst the 123 workers in permanent jobs in the engineering industry only 10 of them (8 per cent) have workers from other sectors of the labour force residing in ther households; but as many as 21 of the short-term wage workers (25 per cent) come from households in which there are also members working in organised sector units (13 of them are boys or young men whose fathers are mill workers or workers in large engineering companies). We may note that this evidence does not provide very strong support for the arguement that part of the costs of reproduction of the organised sector labour force are 'subsidised' by petty production within workers' households or their extended families. Only a minority of permanent wage workers derive a part of their livelihoods from agriculture, or from the work of their wives or children in casual wage work or in petty production or trade. This does not mean to say of course that the costs of reproduction of labour are not subsidised by petty production - though less directly, through the supply by petty producers of cheap consumer goods and services. There are, however, other more important ways in which small scale and petty production does 'subsidise' large scale capitalist production - as for example through 'outworking' arrangements.

If we interpret Joshi's question concerning families to mean a wider circle of kin than the immediate household than we find, not surprisingly, that more people do have family members in different sectors of the labour force than their own:

Table 15: Relations in Different Sectors of the Labour Force

People in 1 with relations in 2,3, & 4/5	: 27 per cent
People in 2 with relations in 1	: 50 per cent
People in 3 with relations in 1	: 21 per cent
People in 4/5 with relations in 1	: 21 per cent

Note: 'relations' here include all the siblings of all household members and their spouses, and children living outside the household aand their spouses.

But even at this degree of distance people in permanent wage employment on the one hand and casual wage workers, petty producers and traders on the other, are quite substantially cut off from one another. There is a greater degree of interconnectedness between short-term wage workers and permanent wage workers, to some extent reflecting the employment of children of mill and factory workers in small workshops and foundries. We have suggested earlier that it is, to say the least, uncertain that these children are 'on their way through' short term wage work to permanent employment.

The marginalisation argument of the Latin American authors is a structural one and it depends upon an assessment of trends of change within the economy as a whole. The data reported here do not allow much comment upon the arguement in relation to Tamil Nadu. These data do suggest. however, that the kind of industrialisation which is taking place in Coimbatore has not gone very far towards breaking down the social divisions and ideologies which were developed. In earlier epochs of production. The labour markets of Coimbatore appear to be distinctly segmented, and particularistic ties of kinship and caste, and neighbourhood still exercise quite a strong influence upon an individual's employment opportunities. We will consider individual strategies for mobility elsewhere. Here we would simply note that ideological categories cannot be separated from 'actual' relations of production and considered as the epiphenomena of the latter. The existence of caste, kinship and neighbourhood categories affects the way in which different individuals are related to each other in production; while, reciprocally, the very segmentation which has existed, and continues to exist within the labour force, provides a fertile ground for the persistence of these particularistic categories.

CONCLUSIONS

1. The workshop form of production is a prominent feature of the industrial landscape of Coimbatore, especially in the plastics, engineering and metals industries. In these industries workshops are rather strongly linked, forwards and backwards, with the factory sector(which, according to the evidence of a number of authors tends to be monopolistic -

and is becoming increasingly monopolised in India).

(i) With the principal exceptions of some small plastic moulding shops which use recycled plastic scrop, and of small foundries which use a high percentage of scrap metal, these workshops rely for their most important raw materials on the (big capital) factory sector; pig iron, coke, mild steel bar, steel sheet, aluminium, copper wire, raw plastic, chemicals for electro-plating. Most of these commodities are produced in a few large plants, many of them in the public sector, and they are subject to recurrent shortages. In times of scarcity workshops in general, but the small workshops in particular are placed at a serious disadvantage, as their owners and managers seek to obtain supplies on the black market. This usually cuts deep into their profits, and is one of the causes of the rather high mortality which is believed to be characteristic of such units, for neither sub-contracting workshops nor producers of finished foods are often able quickly to pass on their increased costs to their customers. The same feature of the industrial economy of India helps to account for the continuing attractiveness of trading in industrial raw materials, as opposed to, or in addition to manufacturing[42/].

(ii) The capital goods employed in these workshops include lathes, shaping machines, drilling machines, grinders, welding sets, etcl. These are produced both in the big factory sector and in other workshops, and it is likely that the markets in these products are competitive (this is certainly true in the case of the drilling machines - which are produced in workshops in Coimbatore). Many workshops rely on the second-hand market in such machinery. The extent of their 'dependence' and exploitation in this regard, is not high.

(iii) A rather high proportion of workshops (40-50 per cent) are directly linked with big capital factories as sub-contractors, putting their own materials (in a majority of cases) or as job-workers. A minority of these workshops are 'tied' sub-contracting or job-working units. Another quite large section of workshops is of producers of parts or finished goods on order. from big capital factories; and there

are others which are indirectly linked with big-capital factories as sub-contractors or producers of parts for workshops which do have direct links. Totally, as many as two-thirds of the workshops in these industries may have forward linkages of the kind described with big capital factories; and in this respect the industrial economy of India seems to contrast markedly with others, such as that of Turkey, for which both Bademli and Gupta[43] report that sub-contracting is but little developed. (Tokman too, has commented that "Sub-contracting links will not generally be significant and will be restricted to clothing. For these operations to be important, it would require a more integrated industrial structure than that which prevails in most less-developed countries"[44]. Our findings are probably consistent with with the much more developed nature of the Indian industrial economy, and with the relative independence of Indian capital, by comparison with the countries from which most studies of the 'lower forms' of production have come).

The implications of the sub-contracting and product linkages between workshops and factories in Coimbatore are not homogeneous, and there is a good deal of variation in the extent of subordination and exploitation which is involved, depending of course, upon the bargaining power of different workshops. Some workshops have bargaining power by virtue of providing specialised services, and others by virtue of having secure access to finance. A majority of workshops have experienced accumulation and expansion. Of course, we have no means of knowing how many workshops have failed, so that it would be unwise to present a very rosy picture of the possibilities for 'growth' of workshop industry as a whole, but equally would it be wrong to deny the possibility of expansion altogether. These possibilities exist within the general constraints of the dependence of sub-contracting units upon the firms for which they work, which include the kinds of cash flow problems also confronted by sub-contracting units in the British car industry as these have been described by Friedman.

Prominent amongst the reasons for the persistence of the workshop form of production is the interest of large-scale capitalists, the owners of factories (and of large workshops) in the control of the labour process, and in the reduction of labour costs. (iv) We may note that few of the objectives claimed for the policy of encouraging 'small-scale' production by the state, are fulfilled: 'small-scale industries' are not decentralised (see the work by Saha on Bihar[45/], and note the concentration of registered SSIs in Tamil Nadu in Madras and Coimbatore), and they do not seriously dent the concentration of economic power, when as we have seen, they serve the interests of big capital as markets and as suppliers of important services - not the least of these being that of labour control. They are instrumental, perhaps, in increasing employment (though evidence on the capital/labour ratio in 'small' as opposed to 'large-scale industry' in India is equivocal[46/]). But that employment is generally on terms which are very favourable to capital, given the lower labour costs and lower levels of unionisation in 'small industries'. Satisfaction of the equity objective claimed for the policy of encouraging small-scale production is therefore doubly doubtful: access to the benefits made available by the state to 'SSIs'is skewed strongly in favour of those who are already relatively favoured, while the employment that 'SSIs' provide is frequently of a very exploitative kind. The one objective claimed for the policy which probably has been satisfied is that of 'democratising' ownership - given that this objective was (fairly explicitly) to widen the bourgeois base of the regime. The objectives claimed for the policy of encouraging 'SSI' may, anyway, be much less important than the interests served by it - which include those of big capital as much as those of small capitalists. Still, official policy is partly instrumental in permitting the expanded reproduction of the workshop sector.

(v) In addition to those workshops which have direct or indirect forward linkages with the big factory sector there is also a large number of workshops (about one-third of the total, in our sample) which produce finished consumer or small producer goods for the market,

including particularly, in the case of Coimbatore, electric motors and pumps, agricultural machinery, wet-grinders, steel furniture and metal vessels. All these product markets are quite highly competitive, as is shown by the large discounts which the small manufacturers of pumps must offer their dealers, and their low profit margins; and by the extent to which the manufacturers of steel furniture must minimise excise payments in order to remain viable. These workshops' access to raw materials is uncertain, and they operate in competitive markets. But their persistence is not in doubt, for the foreseeable future, because although there are big capitalist firms producing the same products (firms like Kirloskar in the pump and motor field, or Godrej in steel furniture), the workshops supply particular fractions of the total market. There is a duality in the markets for these products, as there is for textiles (see earlier comment on the textile industry, citing C.P. Chandrasekhar), so that although the possibilities for sustained growth of these workshops are constrained - especially by the low purchasing power of those who make up their markets - their markets are persistent.

(vi) Workshops such as those of Coimbatore constitute a level of production comparable with Quijano's 'competitive capitalism' or with Santos' 'marginal upper circuit'. The latter's description of the 'marginal upper circuit', which we quoted earlier, seems broadly apposite as a description of Coimbatore's workshops. They do constitute a subordinate level, dominated by higher forms of production through both forward and backward linkages. They confront limitations on access to raw materials and to markets similar to those which are described by Quijano. But their subordination is heterogeneous, and they persist both because of the services which they supply to the higher levels of production - including the role which they play in the control of the labour process - and because their markets have not been, and are not likely to be, entirely taken over by the higher forms of production. In addition to the backward and forward, input and output, linkages of the workshop level of production with higher levels, the levels are articulated together by some (unquantifiable) flow of

capital from workshops into the factory sector, from surplus value generated in the competitively organised markets which they supply, and passing through regular financial institutions; and they are linked together, too, by the supply of cheap wage goods from workshops, which assists in keeping down wage costs in the factory sector (or so it seems reasonable to believe - compare Portes argument[47/]).

2. We may distinguish two broad types of activity amongst the petty commodity producer units of Coimbatore, those engaged in 'traditional' activities and those in 'new' activities.

(i) Those engaged in the 'new' activities - lathe shops, welding, casting of aluminium and gun-metal, repair of two-wheelers - apperr to us mainly to be 'truly' self-employed (as 'self-employment' has been defined by Bromley and Gerry). These producers generally obtain some of their inputs from the factor level of production, and some of them supply that level, either directly or indirectly. They are subject to uncertainty of access to raw materials, markets and finance, and this brings about the failure of many such units. There is evidence however, that some of these petty commodity producers, including particularly turners and founders, do succeed in developing their enterprises into workshops organised as small capitalist units of production. Those who do succeed in making this transition are generally people who by virtue of their social relationships are able to obtain access to cheap credit. Such credit, which has become available in increasingly large quantities as a result of the government's programme for the so called 'Priority Sector', thus contributes to a kind of differentiation amongst small producers which rather reinforces the inherited advantages possessed by some of them. The 'new' PCP activities, then, include some which are subordinated to higher levels of production in just the way which is true of the workshops; and others (two-wheeler repair, cycle repair) which may be less directly subordinated, but which clearly depend for their markets upon incomes generated elsewhere in the economy, and which by their very nature are disposed towards an 'involutionary' pattern of growth.[48/]

(ii) PCPs engaged in the 'traditional' activities - such as shoemaking, goldsmithing, weaving, pottery, basket and mat-making, tinkering, stone-masonry and manufacturing of snack foods - are more likely to be disguised wage workers or dependent workers. They are linked especially with finance and trading capital, and they are commonly dependent upon advances from 'manufacturers' or traders, either in the form of finance, or raw materials, or both. The level of indebtedness amongst them to kanduvaddikaran(s) is also known to be high (although it is difficult to quantify). If we exclude the hereditary carpenters who now make patterns for moulding and leather workers who make washers for the pump industry, the direct linkages of these producers with the factory sector are few, and their reliance upon inputs from the sector is also relatively low (important exceptions beings the rubber and plastics used by shoemakers, cotton yarn, and galvanised iron sheet), while there is also a good deal of use of re-cycled materials. These activities are important, however, as suppliers of cheap wage goods to factory workers amongst others. There is an important degree of autonomy at this level, and direct exploitation is perhaps less strong than in the cases described by Gerry from Dakar. But these producers are subjected to increasing competition from higher levels of production. Thus the potters of Coimbatore have largely been put out of business as cheap plastic vessels have replaced mud pots; tinkers have encountered competition from the same source; and it may be that the basket-makers will not long survive competitive pressures from the use of plastics in packgaging. These small producers may persist, but probably as suppliers to increasingly specialised markets (such as that for special clay pots used in household ceremonies, or for gold jewellery) or as suppliers of particularly cheap goods, often using re-cycled raw materials (rubber tyre sandals, 'refabs' - refabricated tin cans). Again, it is difficult to see how their patterns of growth can be anything other than 'involutionary' given the low income elasticities of these activities.

3. We have presented evidence which suggests that the labour market in Coimbatore is strongly segmented, and current trends in factory employment may be strengthening this segmentation even further. We refer

to the systematic exclusion of people from low caste backgrounds from employment in some of the big mills. Whereas at the time of the establishment of their mills the dominant caste capitalists were prepared to take on large numbers of low caste people - sometime recruiting these people in the villages in which they exercised some control - in the present circumstances of abundant labour and a shrinking demand for workers they have begun to exclude lower caste people where they can. We have seen also that employment in workshops is not necessarily a route into factory employment, and that petty commodity producers and traders are generally from different backgrounds from casual workers, or factory and workshop employees. We have shown that connections between 'sectors', or parts of the labour market - within families or even within wider circles of kin, are not much developed. The principal exception to the general picture of separation is that of the PCPs in 'new' activities who are often people who have had experience of employment in workshops or factories.

The historical existence of a strong relationship between certain occupations and membership in particular communities of caste or kin has provided an ideological context for this strong differentiation within the labour market; and the way in which large numbers of people are continually deprived of access to means of earning their livelihoods now supplies a firm basis for the persistence of caste indentities - when these identities constitute one of the few 'resources' that many people possess.

4. In sum, the evidence that we have presented, and the conclusions of research on trends of industrial production and employment in the Tamil Nadu economy as a whole [49/], suggests that the 'stagnant' portion of the relative surplus population is large and probably increasing [50/]. It is possible to suggest that this is partly, at least, a result of increasing monopolisation - or more accurately, of trends within the economy as a whole which are manifested in the development of monopolies and in other ways [51/]. In a small city like Coimbatore as much as 60-65 per cent of the workforce is employed outside registered manufacturing employment - including factories and large workshops -

or the 'organised' service sector[52]. People in this part of the work-force gain their livelihoods in smaller workshops, in petty commodity production, in casual labouring occupations and in small-scale commerce and in the provision of personal services. Our analysis indicates the extent of subordination, although it is of an heterogeneous kind, of the production units amongst these activities, to 'higher' levels of production. It also shows the very strong constraints that there are on movement into 'factory' employment; and it seems rather likely, from knowledge of the practice and trends in big factories in Coimbatore, that analysis of the manpower policies of big capitalist firms in India, would show an increasing tendency to specific labour use(as Bienefeld and Schmitz believe is probably the case in 'peripheral' capitalist economies in general[53]). It is, at first sight perhaps, tempting to conceive of the development of a 'marginal pole' in this economy, and of an increasingly 'marginalised' labour force. But such a view would seriously detract from appreciation and understanding of the extent of the articulation between forms of production in this economy, in so far as we may judge it from this study of forms of production in Coimbatore.

NOTES

1. See, for example, Joshi & Joshi, 1976; Holmstrom, 1981.
2. One lakh is 1,00,000.
3. For discussions of policy towards 'small-scale industry' see Dhar and Lydall, 1961; Kurien, 1978; Tyabji, 1980
4. The official preoccupation with numerical categories was clearly shown up at a seminar on 'The Urban Informal Sector' held at the Indian Institute of Public Administration, in Delhi, in February 1980. There, representatives of Metropolitan Development Authorities insisted on the necessity for setting numerical indices of 'the informal sector' for policy purposes, and it was suggested that all units with up to 10 people employed in them should be included.
5. The term and concept of 'the informal sector' has been subjected to an enormous amount of criticism and discussion in the ten years since it first began to acquire currency. The special issue of World Development edited by Bromley (1978) is perhaps the most useful single source on this discussion. We suggest that the term is of very limited analytical value, and may be positively misleading because of the way in which it aggregates together a very heterogeneous set of activities; because it may obscure the linkages between activities; and because it is a static concept (see Sinclair, 1978).
6. We have selected those authors who seem to have been especially influential to judge from citations of their work in review articles by Breman, 1976; Moser, 1978; and Tokman, 1978.
7. Gerry, 1978, p.1159.
8. Santos, 1979.
9. Santos, 1979, p8
10. Santos, 1979, p.45
11. Quijano, 1974 (1980)
12. Quijano (1980), p.264,265
13. On the use of the term 'marginalisation', see Johnson, 1979.
14. For a discussion of the various 'optimistic' and pessimistic' evaluations of the 'informal sector' see Tokman, 1978.
15. Bose, 1974
16. Bademli, 1977.

17. There are some difficulties in applying these distinctions. It seems inappropriate, for example, to describe as a 'factory' a small unit in which plastic bags are manufactured, using a machine for this purpose, which is serviced by gangs of children, while describing as a 'workshop' a unit in which 200 people are employed but in sheet-metal and machine shops, rather than in a mechanised production process.

18. Important studies of the development of the industrial economy of India as a whole include those of Chandrasekhar, 1979; Mitra, 1977; Patnaik, 1972; Raj, 1976; Sau, 1972; Shetty, 1978.

19. This hint of vagueness in stating the population of Coimbatore arises because of a problem of defining 'the city of Coimbatore'. According to the 1971 Census 'the City of Coimbatore' had a population of only 356,368, but 'the city' as defined in that Census excludes surrounding urban areas which are part of the agglomeration forming the effective city of Coimbatore, and which will be included in the area of the Corporation of Coimbatore when that comes into existence (as it is expected to soon). A better guide to the 'real' size of Coimbatore is to take the population of the areas which will be included within the corporation limits. This was 567,000 in 1971; and we understand that in the 1981 Census it has been shown to be near to 750,000.

20. Chandrasekhar, 1978(?).

21. It seems likely that the increase in registered employment in cotton gins had been made up not so much by a real increase in the numbers employed, as by the registration of more units under the Factories Act.

22. Kurien and James' research (1979), showed that Coimbatore was with Madras and Salem, and rings of towns around each of these cities, one of the foci for rural urban migration with the state of Tamil Nadu. There is some (weak) evidence of a process of proletarianisation in the agrarian economy of the state (see Kurien, 1980).

23. The Chakkiliyans, leather workers and sweepers, form the most important untouchable community in the region of Coimbatore. It is interesting to note that though the Chakkiliyans constitute the lowest group of all for most other people, they are themselves quite highly differentiated, with those who are of Kannada - speaking origin claiming a higher status than others, and often having sufficient wealth to lustify it. This seems to be because they were saddlers and armourers to warriors and princes in the past, whereas the Tamil-speaking Chakkiliyans were village scavengers and leather workers.

24. See Kurien, 1978; Tyabji, 1980

25. Watanabe, 1971, p.54

26. Watanabe, 1970, 1971
27. Watanabe, 1970, p.573
28. Watanabe, 1970, p.574
29. Rosen, 1959.
30. Gupta, 1980.
31. Friedman, 1977.
32. Watanabe, 1970, p.554
33. Gupta, 1980
34. Attempts by the state to administer the supply of scarce raw materials may only exacerbate the situation for small producers, see Van der Ween, 1973.
35. This is illustrated in another paper which compares the careers of the two job-workers.
36. See Mazumdar and Nag, n.d. (1977)
37. Watanabe, 1970, p.551 note 2
38. "The most notable case is perhaps the Hitachi Manufacturing Company, which started as the repair shop for a copper mine and is now among the ten largest companies outside the United States"; Watanabe, 1971, p.64.
39. Bromley and Gerry, 1979. These authors suggest that we may first distinguish casual workers from those who are employed in permanent, regular wage work; and then that it is possible to distinguish four categories amongst casual workers:

    "It is conventional to divide employment in two basic categories, wage-employment and self-employment. We feel that it is more realistic to conceive of a continuum stretching from 'stable wage work' to 'true self-employment', and to give particular attention to the intermediate categories and transition processes along this continuum. Of course no wage work is totally stable and secure, but a substantial number of wage workers do have a considerable degree of employment stability and security and can be included in this category. This category can then be/ collectively described as 'casual work', and can be crudely divided into four broad, and occassionally overlapping ideal-type categories, which, put in order of increasing dissimilarity from stable wage-work are: 'short-term wage work', 'disguised wage work', 'dependent work', and 'true self-employment', this last category representing the polar extreme of the continuum. These four categories of casual work are, in fact, alternative relations of production, as they effect the individual worker ..." (Bromley and Gerry, 1979, 5).

    /contrasted with the remainder of the continuum which can be

'Short term wage workers' are paid and contracted for a specific period or task with no assurance of continuity of employment, and they are excluded from most of the benefits associated with permanent wage work. They are normally supplied with most or all of their equipment, raw materials and other inputs by their employers and they commonly work on his premises. In Coimbatore this category of workers includes those who are employed as casual labourers in manufacturing units, or as contract workers (both forms are practised extensively in the engineering industry); it should probably include the badlis or substitute workers who are employed in the mills; and also many of those who are 'permanently' employed in small units such as registered or unregistered small-scale industries falling outside the scope of the Factories Acts, in shops and trading and transport concerns, and in some services like laundries and barbers' shops. It is perhaps a moot point as to whether or not it should include the large numbers who are employed as construction coolies, kalasi workers and cart pullers (who made up 27 per cent of household heads in my 'slum' surveys). 'Disguised wage-workers' are not legally employees of a firm but nonetheless a particular firm appropriates a part of the product of their work. This category includes particularly 'outworkers' and commission sellers- who receive what is in effect a disguised wage from the firms for which they do work, even though they may own part of their means of production. In Coimbatore this category includes what is probably an increasing number of engineering workers employed in workshops undertaking job-work under contract to large companies (and some not-so-large companies too); many handloom weavers; some basket makers, tailors, tinkers and cobblers; and kerosene sellers. 'Dependent workers' are those who are dependent upon one or more large enterprises for credit, premises or equipment; a monopolistic or oligopolistic supply of raw materials or merchandise ; or a monosonistic or oilgopsonistic outlet for their produce. Examples of workers in this category in Coimbatore include most taxi and autorickshaw drivers, and some small traders such as beef and mutton sellers. In general, however, in the specific context of Coimbatore at least, it is more difficult to distinguish 'disguised wage workers' and 'dependent workers' than their ideal types suggest. Finally, there are those who are truly 'self-employed' in the sense that they work independently, are the owners of their own means of production and have a considerable and relatively free choice of supplies and outlets. They are not dependent upon specific firms for their livelihoods but upon general economic and social conditions. In Coimbatore this category does include a lot of small traders, purveyors of various kinds of cheap eatables, most tailors, some cobblers, basket-makers and tailors, tinkers, cycle, 2-wheeler and car repair workshops and some workers with small engineering establishments.

This framework is valuable because it penetrates the otherwise

amorphous entity of 'the unorganised/informal sector', and focusses upon the relations of production in which different workers are involved rather than upon appearance.

40. Joshi, 1980

41. Holmstrom, 1976

42. See Streefkerk, 1978.

43. Bademli, 1977; Gupta, 1980.

44. Tokman, 1978, p.1071.

45. Saha, 1980 (1981).

46. See Subramaniam and Kashyap, 1975; and Banerjee, 1981.

47. Portes, 1978

48. See also Tokman, 1978.

49. Kurien and James, 1979; Baradhan, 1980.

50. Marx writes in Capital (volume 1.):
"The third category of the relative surplus-population, the stagnant portion, forms a part of the active labour army, but with extremely irregular employment. Hence it furnishes capital an inexhaustible reservoir of disposable labour power. Its conditions of life sink below the average normal level of the working class; this makes it at once the broad basis of special branches of capitalist exploitation. It is characterised by maximum of working time, and minimum of wages. We have learnt to know its chief form under the rubric of 'domestic industry'. It recruits itself constantly from the supernumary forces of modern industry and agriculture, and specially from those decaying branches of industry where handicraft is yielding to manufacture, manufacture to machinery. Its extent grows, as with the extent and energy of accumulation, the creation of surplus-population advances. But it forms at the same time a self-reproducing and self-perpetuating element of the working class, taking a proportionately greater part inthe general increase of that class than the other elements..."(Marx.(1867), 1954, p.602).

51. See references under Note 18.

52. See Appendix A

53. Bienefeld and Schmitz, 1976.

APPENDIX A

Note 52

According to the 1971 Census the city of Coimbatore (as defined in note 119) had 180,598 workers, divided up thus:

Table 16

The Distribution of Employment in Coimbatore, 1971.

	male	female	total	(%)	cf. Bombay 1961 a/c Joshis
Primary Production	7,855	3,401	11,256	6.2	1.9
Household Manufacture	7,680	1,340	9,020	5)	40.8
Manufacturing	57,983	6,625	64,609	36)	
Construction	6,120	1,886	7,986	4.4	4.4
Trade & Commerce	35,523	2,668	38,191	21	18.0
Transport etc.	12,231	156	12,387	6.8	11.2
Other Services	27,542	9,608	37,150	20.7	23.5

The workforce of Coimbatore includes workers who have permanent employment in mills and factories covered by the Factories Acts and other legislation, who receive ESI, PF, Gratuity, Bonus, etc., whose jobs are protected by legislation and probably by strong unionisation as well; temporary workers or 'helpers' or 'apprentices' in the same plants; casual workers who are employed on a daily basis for certain tasks within the same plants; workers in small establishments and workshops; those who are self-employed or who are employed in domestic industries; those making a living from petty trading or through the provision of services; those who work in larger retailing or whole-saling establishments; those who work in transport - including drivers, cleaners and those who are employed for loading and unloading; and many who are engaged in a variety of casual labouring jobs including principally construction workers, porters and load carriers (generally referred to as 'kalasi' workers) and general coolies. This list does not pretend to offer a well defined system of classification, or to be exhaustive, but it does at least suggest that a simple dualistic division into two major 'sectors' will conceal a great deal.

It is true, however, that of the categories distinguished that of the workers with permanent jobs in mills and factories covered by the Factories Act, is the one which is most clearly defined and most easily measured - precisely because a great deal of information is recorded by the Inspectors of Factories whose work it is to regulate the conditions of employment in such units (which are those employing

ten or more people and using power, or tently or more people in the case of units not using power). This is what is generally referred to in India as 'the organised sector'. This does represent a useful category not only because it can be measured by reference to the statistics of the Factories Inspectorate and the Directorate of Employment and Training, but also and more importantly because it is defined by criteria which are significant for workers themselves and for their employers. According to Holmstrom for example, factory workers in Bangalore themselves see the organised sector as a kind of 'citadel' - of security and strength; and it is the wish of many workers in Coimbatore, as it is in Bangalore, to obtain employment in organised sector jobs because of the security which they offer. Equally it is the concern of many capitalists to ensure that as many workers as possible do not obtain such employment, because of the costs to them of providing such benefits as ESI and PF, and because of the risks of unionisation, amongst other concerns. It is because of the practical salience of the Factories Act and related legislation that the category 'the organised sector' has value. But it seems that the opposite category of 'the unorganised/informal sector' has value only in so far as it conveys the description of 'employment falling outside the organised sector'. At this level, as a description of a large part of the labour market(s), the term has a limited value.

How extensive is the organised sector of the workforce in Coimbatore, and how is it changing in relation to the workforce as a whole? Although the Factories Act is the single most important piece of legislation defining the organised sector it relates of course, to manufacturing units, and we should include within 'the organised sector' also those units in other areas of activity in which conditions of employment like those in organised sector factories apply. For this reason it seems that the best available measure of the organised sector of the workforce as a whole, is that provided by the statistics maintained by the Directorate of Employment and Training. Under the terms of The Compuslory Notification of Vacancies Act all companies with Units in which 25 or more people are employed should inform the Employment Exchange of any vacancies and submit reports on employment to the Directorate. We were informed by the Director of the Department in Madras that it is in fact extremely difficult to ensure that companies do submit returns, and of course the figures will exclude those pertaining to some small factories which do come under the Factories Act but have less than 25 employees. Still, these figures do appear to be the best measure available - and they were used by the Joshis in their study of Bombay (refer Note 1). But having made this decision, our difficulties did not end there. There were the further problems of obtaining statistics disaggregated for Coimbatore city, and we were unable to obtain DET records for the city, or even for Coimbatore taluk. Hence the 'Heath Robinson' quality of the following exercise in estimation.

The Factory Inspector in Coimbatore maintains records of employment in factories in Coimbatore and Avanashi taluks, and it is not possible to disaggregate them for Coimbatore city. The records are also not kept at the local level for very long, and it proved impossible to obtain statistics, even for Coimbatore and Avanashi taluks for 1971. It seems possible to suggest, however, that only about 35 or 40 per cent of the workforce of Coimbatore in 1971 fell into the category of 'organised sector workers'. This suggestion is based on the following reasoning. The total number of workers in manufacturing in other than household industry in Coimbatore and Avanashi taluks in 1971 was 97,543 men and 11,368 women. In 1974, according to the Administration Report of the Inspector of Factories, Coimbatore, for that year there were 49,636 men and 6,736 women employed in 534 working factories in public and private sectors. The comparison of figures for 1971 and 1974 is unavoidable - because data for other years were not available - and it may not be so serious in view of the fact that according to statistics for the district as a whole the number of organised sector workers in manufacturing declined absolutely between 1971 and 1974. Granted this (admittedly tenuous) reasoning it is possible that in 1971 only just over 50 per cent of manufacturing workers in Coimbatore were in organised sector units. We have also seen (table 16) that only 36 per cent of all workers in Coimbatore were engaged in manufacturing outside household production. In other words perhaps 20 per cent of all workers were employed in organised sector manufacturing units. Then, some of the workers in trade and commerce, transport and other services should also be included in the organised sector because they work in establishments with similar conditions of service to those obtaining in the organised factories. All the workers in these fields together constituted 48 per cent of the workforce in 1971. It is probably erring on the side of generosity to suggest that as many as one-third of these workers were in organised units - and thus an estimate of 35-40 per cent for the workforce as a whole should be considered as an upper estimate, even though this is less than the proportions estimated for Bombay (55 per cent), for Calcutta (50 per cent) or for Ahmedabad (53.5 per cent). This is perhaps not surprising, for we might have expected less establishments to be organised in a relatively small city like Coimbatore. (The proportion of manufacturing workers in the organised sector is clearly lower than it is in Bombay or in Calcutta. The Joshis found that about 70 per cent of manufacturing workers in Bombay were in organised sector units in 1961; and Bose (see Note 15) found a similar proportion of manufacturing workers in the organised sector in Calcutta in 1971).

POLICY AND THE WORKING URBAN POOR IN INDIA: observation from Coimbatore

1. The objectives of government planning in India have been stated to be (i) the removal of unemployment and underemployment; (ii) the achievement of an appreciable rise in the standard of living of the poorest sections of the population; and (iii) the provision of some of the basic needs of the people belonging to the poorer sections[1/]. These objectives would seem to imply that there should be some planned assistance for the urban poor, and the purpose of this note is to examine the forms that such assistance takes. The note does not attempt to cover the entire range of policy issues to which our research related. In particular it does not consider problems with regard to government assistance to so-called 'small-scale industry' (on which a brief comment has, however, been made above). Neither do we consider transfers to the urban poor through health, education and social welfare provision. Here we are concerned specifically with policy interventions aimed directly at the livelihood earning activities of poor urban people, having in view Rao's recommendation in his paper on 'Urban Target Groups' that measures be adopted for "...the promotion of extremely small producers and the self-employed. Tailors and carpenters need credit to buy tools and machines; hawkers need working capital for inventories; all of them need a place to do business. But they generally do not have access to credit institutions.../and/ Governments can assist them by providing special incentives to (or requiring) financing institutions to give credit to very small producers and self-employed workers; by reserving land for them in the vicinity of industrial developments and in central urban locations: by assisting in the provision of cooperative marketing facilities; and by removing onerous licensing and registration requirements that have no purpose other than to restrict entry to specified occupations"[2/].

2. The first point to note about policy towards the assistance of the urban poor in India is the extent to which their interests are actually submerged in what are essentially rural development plans. A

very important part in current government planning for the relief of poverty and the provision of employment is expected to be played by the nationalised banks through their allocation of credit to the 'Priority Sector' under 'District Credit Plans'[3/]. The 'Priority Sector' includes the following categories of borrowers: marginal and small farmers, agricultural labourers, rural artisans, and scheduled castes and tribes (the so-called 'Weaker Sections'); and also small-scale industries and tiny industries, which actually come under the bankers' category of 'small business finance' (and which includes also retail business and transport operation). It is still government policy that the nationalised banks should ensure that (i) the share of small and marginal farmers in total direct credit to agriculture should reach 50 per cent by the end of 1982-83; (ii) that lending to the Priority Sector should reach a level of not less than 40 per cent of outstanding credit; and (iii) that the credit-deposit ratio for rural and semi-urban branches should reach at least 60 per cent within the stipulated time[4/]. In other words, the 'Priority Sector' defines target groups for the allocation of credit by the nationalised banks. In addition to instructing the banks to allocate credit in this way, the government has offered them some incentives by setting up arrangements to protect them in case of the default of such loans, through the Credit Guarantee Corporation.

Virtually the only assistance which is available to the working poor of a small city such as Coimbatore is that to which they may be entitled through their inclusion amongst the groups eligible for Priority Sector credit. Yet it is clear that the exercise of drawing up District Credit Plans, by the particular nationalised banks which are designated as the 'lead banks' in each district, is seen primarily as an exercise in rural development. The RBI Guidelines for District Credit Planning were issued by the Rural Credit and Planning Cell of the Bank[5/]; and the objectives for bank lending laid down in these guidelines are directed particularly at rural groups. These objectives are stated as being "(1) loans should be for labour intensive schemes which generate employment; (2) loans should be given for increasing the productivity

of the land and other allied sector so as to reduce unemployment and increase income levels; (3) loans should be granted to weaker sections of the population (marginal and small farmers, agricultural labourers, rural artisans, scheduled castes and scheduled tribes) for productive purposes to the maximum extent possible, (with) provision for some consumption component to the low income groups as a part of loans for production and investment purposes. Needless to say that all the schemes to be financed through loans will have to be technically fessible and economically viable". The last sentence, which we have emphasised, points to the tension which exists between the directive to the banking system, that credit policies should be 'needs-based', and the traditional concerns of bankers about security. This tension was reflected in many comments made to us in Coimbatore by bankers, and even in advertisements in the press.

In the design of credit plans for target groups of supposedly very poor people, therefore, the interests of the urban poor are submerged within those primarily of small farmers; while in their implementation this tendency is also apparent. Where the nationalised banks in Coimbatore do have specialised officers concerned with Priority Sector credit, they are usually agricultural specialists[6/]. The emphasis on rural development is of course justifiable in view of the findings of empirical research as well as of theoretical modelling, that the problem of poverty is essentially a rural one, and that urban poverty is to an important extent the result of poverty in agrarian society. But there is still cause to wonder whether more could not be done, within the existing arrangements, to tackle the problems of existing urban poverty.

3. According to the RBI Guidelines for District Credit Planning, the plans should be amplifications of programmes included in the overall 'District Development Plan' - which is supposed to take care of the Plan objectives of relieving poverty and unemployment and to indicate where the banks can step in. Priorities, and directives for the allocation of resources between target groups are supposed to be laid down in the District Development Plan. It was most striking, then,

to find in Coimbatore that by the middle of 1980, when one District Credit Plan had been terminated 6 months early after running for 2½ years, and another drawn up for the period January 1980 to December 1982, the only District Development Plan in existence was one drawn up in the early 1970s, before the planning period to which the credit plans apply. And indeed the existence of this District Development Plan was unknown to at least one of the members of the Lead Bank staff who had been concerned with drawing up the credit plans. This seems to be an instance of a failure in the coordination of planning. The RBI methodology for district credit planning states that it should be based on (a) the existing pattern of economic activities and potential for development; (b) the 6th Five-Year Plan 1978-83) targets and annual budgetting provisions /i.e. in the District Development Plan/; (c) the performance of financing agencies under the previous District Credit Plan and their potential capacity in respect of the availability of funds as well as man-pwer; and (d) likely demand for credit in respect of specific projects, different sectors and different blocks within the District. In practice, according to officers concerned in the production of the current credit plan for Coimbatore district, it was based only on the plans of the Small Farmer Development Agency, the Integrated Rural Development Programme, the Tamil Nadu Dairy Development Corporation and the plans of the District Industries Centre for village industries.

Data on the actual allocation of credit under the last District Credit Plan are reproduced here, and show that a large proportion did, in principle, go to the rural target groups - though independent research on the Small Farmer Development Agency in Coimbatore District, by Dr. Judith Heyer, suggests that a great deal of this credit probably did not reach the people for whom it was intended, or where it did, that it was often inappropriate to the objectives set for it[7/].

Table 1: Performance Under the First Credit Plan (July 1977-June 1979[8/])

(Rs. in lakhs)

Purpose	target	achievement	percentage
AGRICULTURE			
Crop loans	1869.98	2055.55	109.9
Land Development	53.40	167.13	313
Farm mechanisation & implements	81.10	111.62	138
Pumpset loans	74.50	15.00	20
Dairy Farming	65.50	149.44	228.15
Sheep & Goat rearing	41.70	7.22	17.31
Poultry farming & pigs	28.4	20.81	73.3
Others	14.6	17.38	
Total	2229.18	2544.15	114.13
INDUSTRIES			
Small-scale industry	439.50	1217.72	277.07
Handlooms	65.20	24.11	36.98
Cottage/household/village	61.70	7.40	12.00
Total	596.40	1249.23	220.56
TERTIARY ACTIVITIES			
Road transport operators	58.50	194.59	332.63
Retail trade & small business	103.20	427.43	414.18
Professional & self-employed	33.70	96.85	287.39
Others (a)	46.60	972.35	2086.59
Total	242.00	1691.22	698.85

Note: (a) 'Others' here "...includes education, loans to teachers, gold loans, etc".

Of the remainder of the credit which was disbursed a large part went to 'small-scale industries'. Given our observations on access to institutional credit on the part of small entrepreneurs, reported in the preceding article, it seems permissible to wonder how far a credit plan which has actually allocated funds especially to small-scale industry (and to uses in the category 'others'), has really gone towards meeting the stated objectives of lending to the Priority Sector. These are supposed to be an attack upon poverty. Of course, if it can be shown that the small industries established using the assistance made available through the banks, are labour intensive and generate remunerative employment, then it may still be maintained that credit is reaching the target groups indirectly. But certainly Priority Sector lending in which loans to small-scale industry play an important part, does not represent direct assistance to the poorest people - and it is well known that small-scale industries are commonly, though not invariably, exploitative employers of labour.

4. These data on the achievements of the First District Credit Plan for the Priority Sector in Coimbatore District do show significant disbursements to "retail trade and small business" and to "professional and self-employed" (7.8 per cent and 1.76 per cent of the total credit advanced, respectively). These are both categories which could conceivably include borrowers from amongst the self-employed urban poor, though our interviews with recipients of "small business finance" from branches of two of the nationalised banks suggested that such borrowers are probably people with fairly high incomes (ranging from Rs.350 to Rs.2000 per month amongst the ten people whomwwe interviewed, who included the owner of a cycle shop, two small general retailers, two flower sellers, two sellers of ready-made clothes, a basket-trader and two makers of snack foods who supply cinemas. The two people with the lowest monthly incomes in this group were carrying on only side-businesses). The type of Priority Sector credit which is most likely to go to the urban poor is that made available under the Differential Interest Rate Scheme ('DIR'). This is intended for those with household incomes of up to Rs.3000 per annum in urban areas and

up to Rs.2000 per annum in rural areas (though it is also commonly identified by bankers with credit for the scheduled castes and tribes). Such borrowers may take loans as small as Rs.100, and going up to Rs.2000, to be repaid over periods of up to 30 months, against interest of 4 per cent. These loans are secured from the banks' point of view by credit guarantees. The first District Credit Plan for Coimbatore stated that, in accordance with Government of India policy, one per cent of all advances should be under DIR, but in practice the achievement was only 0.22 per cent. Earlier, under the Emergency and Indira Gandhi's 'Twenty Point Programme' the banks had sometimes been required to disburse a certain amount of credit to so-called 'weaker' or 'backward' sections, on occasions such as the Prime Minister's birthday. According to accounts given by bank staff in Coimbatore this led to a good deal of 'undisciplined' lending.

In order to form some assessment of the nationalised banks' programmes as it has affected the urban poor, we interviewed members of the staffs of five of the major nationalised banks and asked them about their activities under DIR and other 'small business finance'. We also collected data on their DIR lending, and we then interviewed some of the recipients, identifying them from lists given to us by the bankers. It proved to be very difficult to locate many of the people who appeared on the lists we were given, and in the end it was possible to interview only 25 recipients of the DIR credit, together with the ten recipients of "small business finance" listed earlier.

5. Bank 1 (the only bank which will be identified: the Bank of Baroda) is the only one of the banks in Coimbatore which operates a special cell for small borrowers (though at least one of the other nationalised banks does operate special units in other cities of Tamil Nadu). This is called the Multi-Service Agency, and it is advertised by the Bank as having these special features: "The Multi-Service Agency of the Bank of Baroda is a unique concept intended to carry benefits of banking to those sections of society which need help and wish to help themselves through profitable self-employment. The scheme helps professionals and small traders, the vehicle pullers and those involved in cottage industry and the handicrafts. The procedures of banking

have been simplified to suit the target groups. The application forms are now available in the regional languages and are easy to fill up. Calculating interest is no more a complicated matter. Special pass-books have been designed to make calculations easy for all. The Agency provides services at the doorsteps of the people. Specially appointed staff would call on the borrower to collect repayment instalments. The bank staff would also provide them with valuable counselling in regard to their profession and trade. Security for this loan (sic)? No security, except their technical know-how and skill" 9/. We were informed that at the end of 1979 there were 392 such special units throughout India, servicing 268,500 accounts worth Rs.45.05 crores, including 154,000 DIR accounts worth Rs.12.19 crores.

In Coimbatore the Bank of Baroda's Multi-Service Agency is located in the head office of the Bank, though the Agency has a separate entrance so that its clients need not go through the main banking hall, which probably helps to make it more accessible to poor people. It is run bytwo officers who are assisted by three cashiers who make collections, for which purpose they are able to make use of the unit's two motor-cycles. The cell also shares in the use of a jeep. Up to the end of June 1980, from its inception in 1976, the cell had financed 4100 people in Coimbatore, and had loaned Rs.32 lakhs of which Rs.26 lakhs had been repaid. On 30.6.80 the cell held 691 DIR accounts and 541 others, worth altogether Rs.7 lakhs. The accounts include the following types of business:

agarbathi manufactures	11	hand cart hawkers	7
artificial flower makers	2	hardware merchants	3
authors	1	job typists	1
basket makers	300	killai wallah(tinker)	5
band players	1	launderers	26
blacksmiths	6	leather goods	2
blue prints	1	lawyer	1
book binders	2	mechanics(automobiles)	3
bangle makers & sellers	3	mechanics (others)	2
cobblers	15	medical practitioners	3
confectionaries	20	metal labels & badges	1
carpenters	2	newspaper vendors	5
commercial artist	1	optician	1
cycle shops	24	old paper	1
cloth merchants	2	plumber	1
coaching classes	3	paan wallah	5

coal & firewood merchants	10	photographers	5
carrier boys	34	pappad & pickles makers	2
canteens (small)	5	photo-framing	21
doll maker	2	radio mechanic	3
electrician	3	ready-made garments	10
earthen pot maker	3	sculptor	2
fruit vendor	4	stationery	4
flower merchant	2	stamp vendors	1
goldsmiths	28	sign board painters	1
grocery & provisions	25	stove repairers	5
hairdressers	15	tailors	25
		tea stalls	20
		typewriting institute	4
		vegetable vendor	15
		welder	2
		watch repairer	5
		weavers	258

There are others.

Prominent amongst the borrowers from the Multi-Service Agency are, therefore, basket-makers and weavers who carry on their activities in particular, well-defined parts of the city - and the fact that they are spatially concentrated together makes it easier, of course, for bank staff to make their collections. We mentioned in the preceding article that basket-makers and weavers are commonly dependent upon advances from traders (baskets) and manufacturers (weavers), and from <u>kanduvakkikarans</u>. The small loans taken by many basket-makers from the Bank of Baroda have not released them from this dependence, but according to those whom we interviewed, several of whom had taken loans of Rs.200 for raw materials on several occasions, the Bank loans have provided them with some relief.

The Bank of Baroda requires no security beyond personal guarantees (though even this is more than is claimed in the advertising material reproduced above), and it prefers to deal with the single person rather than with group accounts. The Multi-Service Agency does have one very successful group of borrowers, however. It is a group of picture-frame and mirror makers, who live and work close together on one lane, and who are members of the same caste community.

6. <u>Bank 11</u> has no such special agency for small, non-agricultural borrowers and no special officers or special arrangements for collections,

as in the Bank of Baroda. It has 5 branches in Coimbatore which at the end of June 1980 had the following small business and DIR accounts:

	(a) retail business	(b) small business	(c) professional and self-employed	(d) DIR
No. of accounts	251	133	287	176
Loan (Rs)	2,102,000	251,000	428,000	107,000

Note: (a), (b) and (c) are not likely to include members of the urban poor. In this the DIR loans recorded include both rural and urban borrowers and it is known that a majority of the loans have been made to rural people, especially in the village near to Coimbatore which has been 'adopted' by the Bank. Our enquiries showed that otherwise DIR borrowers included people with acquaintances working in branches of the Bank, or, in the case of one branch, they were people recommended by a particular tea shop owner who was a caste fellow of the branch manager. This Bank also prefers single person accounts, requires only personal security, and likes its borrowers to have been, and to continue to be, participants in its thrift-deposit scheme for small savers.

7. Bank 111 also has no special agency for small, non-agricultural borrowers and makes no arrangements for the collection of payments, though it does have one field officer concerned exclusively with 'small business finance' (i.e. including retail businesses, professionals and transport operators as well as self-employed small producers). This compares with ten field officers serving small-scale industry. This Bank, too, favours a policy of first encouraging potential small borrowers first to become small savers; but unlike Banks 1 and 11 it prefers to group small borrowers under 'Group Guarantee Schemes', the idea being that in such groups mutual moral pressures for repayment are established. This Bank has advanced small loans to 5 handloom weavers' societies and to a group of about 60 gunny bag dealers. Altogether in Coimbatore this Bank has advanced credit to 228 weavers (116 of them under DIR, grouped into the 5 societies), and in addition it has extended 308 loans under its arrangements for 'small Business

Finance', totalling Rs.5,684,710. But of these 308 loans 12 alone have been advanced Rs.2,292,000 (or 40 per cent of the total), and the 87 DIR loans included (most of them to the group of gunny bag dealers referred to) have been advanced only 57,000 (or just over 1 per cent of the total). The Bank official to whom we spoke was candid in his admission that his Bank is in practice very reluctant to finance very small borrowers, and he said that he and his staff now hesitate to lend money to small borrowers unless they can offer some security. It was his opinion that the encouragement that was given to the banks under the Emergency to advance money to the 'weaker sections' had actually encouraged a lax attitude towards repayments, because loans had been advanced under pressure and without proper checks having been made. The result was that people who had neither the intention nor the possibility of repaying a loan, had received money

8. Bank IV has no special agency and supervises loans under DIR and to small businesses through its agricultural officers. Like Bank 111 it prefers to extend credit to groups and to operate the group guarantee system. It, too, ties loans to a mini-deposit scheme, operated by a network of collectors (who work for a 3 per cent commission); and it prefers to find personal guarantors for all small loans. The Bank has 5 branches in Coimbatore and at the end of June 1980 they had the following small business accounts;

	small borrowers (including retail trade, small business, professional)	DIR (a)
No.of accounts	280 (103 professionals)	329
Loans	638,000	239,500

(a) of these 193 accounts were overdue and owed 53,000.

In this case, again, the number of DIR loans includes a majority of loans for agricultural purposes, many of them concentrated in an 'adopted' village, so that the extent of assistance provided by this Bank to small urban producers and self-employed people was also very limited. Urban borrowers under DIR included principally handloom weavers (organised into a society) and a group of operators of water carts. Bank officers reported that the extent of default is high, and

that it is very difficult to ensure that repayments are made.

9. Bank V has begun to set up special agencies to handle small business finance in other cities, but up till the present small borrowers have had to approach bank managers directly. In this Bank individual loans are generally preferred - perhaps because its experience of a group guarantee scheme has been disastrous. A total of 150,000 was loaned to a group of about 40 weavers who subsequently were unable to obtain yarn and many of whom simply left for other weaving centres. And in general this Bank too, has experienced high rates of default on small loans, and on DIR loans in particular. One of its six branches in Coimbatore has 52 accounts with (vegetable vendors, basket-makers, cobblers, petty traders, barbers and laundrymen) and 51 of them are in default. The main branch has had similar experience under both 'Small Loan Schemes' (at 14 per cent interest rate) and DIR (under which most of its loans have, anyway, been to people in the village outside the city 'adopted' by the Bank). This branch has advanced 119 loans under 'Small Loans Schemes', totalling Rs.308,000 (but 40 per cent of it to professional people and another 40 per cent to only 8 transport operators - in other words the proportion that has gone to poor people cannot but have been very small). Now 99 accounts are overdue, and overdues total Rs.168,000. Interviews with recipients of DIR finance from these two branches of the Bank showed that most of them had received their loans during the Emergency.

10. Our interviews with those who had received loans under the DIR scheme, apart from people who had been encouraged to take loans in the special circumstances of the Emergency, were with clients of Banks 11 and V. It became clear from these interviews that personal contacts with bank employees, either directly or indirectly, are often important in securing these loans, and that the requirement that someone such as public sector employee should act as a guarantor could further restrict access to this form of credit. Just as in the case of loans to small farmers under the SFDA in Coimbatore District, in Heyer's account of them, there are possibilities for those who are not entitled to these loans to obtain access to them. It was

found that all the handloom weavers registered with one branch of one of the banks denied ever having received the loans themselves. They explained that their names had been put forward by the owner of the weaving shed in which they were employed, and that the owner had taken all the money himself. It is quite understandable that, under the kinds of pressures to achieve targets for DIR lending that some managers were evidently subjected to, they should have turned a blind eye to 'convenient' arrangements such as these. Our data also show that some have been able to obtain DIR loans even though they have incomes beyond the specified limits (this was true of the scrap dealer in the sample and of some of the makers of snack foods).

Of the 25 small producers and traders whom we interviewed, eleven had taken loans on more than one occasion, and in most cases (7) the amounts had been increased with successive loans. Nine borrowers had defaulted, and with perhaps one exception, they are all people who had borrowed money during the Emergency. Of the eleven borrowers who had repaid their loans and made further borrowings, four reported that they were, at least, less dependent upon loans from kanduvaddkiaran(s) than they had been, and six said that they had been able to improve their businesses. Four reported that their DIR loans had led to increased consumption - in the form of new household articles, improving housing, or education for their children (though in three of these cases the increased consumption was said to have been financed from improvements in business rather than from direct diversion of the loan).

11. It was not possible for us to conduct a full sample survey of the small borrowers amongst the urban poor of Coimbatore, and our observations can only be taken as being suggestive. What is most important is that our findings do show that there are small producers (and more especially small traders and those in service occupations) who are both able to repay small loans and to derive some benefit from them. It may be noted too, that in this case it did not appear that such small traders and producers were at all seriously affected by licensing regulations. Some, amongst those whose business is conducted at the roadside, reported occasional harassment by the police.

Our findings also show that these schemes for lending small sums of money are open to abuse, but then, that this abuse should exist is hardly surprising given the circumstances in which some bank managers have sought to achieve the targets for small lending imposed upon them from above. It is also hardly surprising when one notes that the branch managers (except in the case of the Bank of Baroda) have to deal with small borrowers in addition to clients who are substantial industrialists or business people. They simply do not have the time either to search out 'business' amongst the urban poor or to supervise the loans that are extended to these borrowers.

12. The further important result of our investigation is the finding that the one bank which has established a special agency for small-scale borrowing by poor people, serviced by a special staff, appears to have been more effective than the others both in encouraging such small-scale borrowing, and in supervising it in such a way that the rate of default on its small loans is rather low. Our policy conclusion is therefore, that while the 'growth' potential of the activities of the urban poor (excluding, perhaps, some of the 'new' activites described in the preceding paper) is extremely limited; and subjected though they may be to various forms of subordination and exploitation, many of them are activities in which it is possible for people to obtain livelihoods; and that these activities can be assisted by small lending schemes. The chance that these small lending schemes will be at all successful in this limited way is likely to be enhanced, however, by the establishment of special cells for the service of small urban borrowers, which may be able both to encourage people to apply for assistance and to service loans once they are extended.

13. We comment, finally, upon policy measures for the assistance of the working poor with which there have at least been experiments elsewhere in India - for our information about other policy measures tends to reinforce the conclusion we have just drawn. In the forefront of efforts to intervene on behalf of the working poor has been the Calcutta Metropolitan Development Authority. The CMDA has experimented with, or considered, the following interventions: (i) provision of

financial assistance - with the aim of removing people from the power of the middle men; (ii) provision of facilities including space, work sheds and electricity supply; (iii) establishment of cooperatives, perhaps on an area basis, with the objectives of providing assistance over the supply of raw materials and/or marketing; (iv) provision of training; and (v) setting up of new townships /compare Rao's suggestions on policy towards the urban target groups reported in paragraph 1/.

It appeared from information that we were given by one senior official at the CMDA that these measures, even where they have really been appropriate to the needs of the working poor, have not so far met with a great deal of success. We were told that up to June 1980 only about 60 'slum entrepreneurs' had actually received financial assistance under a scheme initiated in 1978 and involving the CMDA, the banks, and the Cottage Industry and Small Industry departments. The reason for this very slow progress was said to be that the banks - in spite of the rhetoric to the contrary which appears in their advertisements - still want firmer guarantees of security than can be given by most of the people whom it is intended should be helped. Secondly, though the provision of space may be of great importance to working poor people, it has come to be questioned whether the provision of sheds is worthwhile. The point is that given their style of work the 'slum entrepreneurs' are often unwilling to move far from their homes where their work forms part of a wider pattern of domestic activitiy and mutual assistance. Thirdly, it appeared from what we were told that so far very little progress has been made with the setting up of cooperatives. This is a possibility which would seem attractive in certain parts of Coimbatore, however, where there are, respectively, large numbers of cobblers, basket makers or weavers. Indeed one cobbler suggested that the government could best assist people in his trade by setting up a cooperative which would supply them with raw materials and provide a market for their products, and so permitting them to escape from their dependence upon the owners of shoe-marts (whose mark-ups on the prices they pay to the shoemakers may be as

high as 200 per cent). This is, perhaps, an idea which might be explored further, though the experience thus far with weavers' cooperatives in Coimbatore, or with the existing basket-makers' cooperatives, has not been encouraging. We came to know of several instances of weavers' cooperatives which have failed because of the venality of those concerned with running them, or because of bureaucratic ineptitude (especially in marketing). This does not mean to say that more could not be done by establishing cooperatives in these circumstances, but experience with the cooperative form of organisation in India in general, shows that cooperation must not be treated as a great penacea. Fourth, it appeared that experience in the Calcutta Metropolitan Area suggested that the potential in 'training' can easily be exaggerated when the demand for superior skills is relatively weak. Fifth, and lastly, it has been pointed out that moving small producers and traders to new townships can often be disastrous for them, when it removes them from their sources of supply of raw materials, or from their markets.

This rapid review does not pretrend to be anything other than a very broad overview (though it is based on the observations of an officer of the CMDA who is probably more familiar with the problems of the working poor of Calcutta than anyone else). It does suggest, however, that amongst the possible policy initiatives for the urban working poor, the provision of financial assistance, for all its problems, is probably the form of help which is most likely to be effective. This gives additional weight to our suggestion of the need for special units, within the existing banking system, for servicing small loans.

NOTES

1. These objectives are stated in a publication issued by the Reserve Bank of India, Lead Bank Scheme: District Credit Plans, New Guidelines, Reserve Bank of India, Rural Planning and Credit Cell, Bombay, March 1979. This was of course issued during the period of the Janata Government, and many of the policies adopted by this government were scrapped after the return of a new Congress regime to power, under Mrs. Indira Gandhi, in January 1980. Nonetheless, these 'Guidelines' were still in use in the Lead Bank in Coimbatore in June and July 1980; and there is in general no reason to suppose that these basic aims of planning have been changed by the present government - at least in its policy pronouncements.

2. From D.C. Rao, "Urban Target Groups", in H. Chenery et al., editors, Redistribution with Growth, London: Oxford University Press, 1974, p.146.

3. See note 1: there appears to be continuity in this respect between the Janata and Indira Congress periods.

4. As note 3; and see RBI, Lead Bank Scheme: District Credit Plans, New Guidelines.

5. See note 1

6. The predominantly 'rural' bias of planning is also shown in the way in which the District Industries Centre, set up in Coimbatore under the Janata regime, concentrated its efforts upon rural artisans, when it did not serve the needs of small-scale industrialists.

7. J. Hayer, unpublished report.

8. Data from Credit Plan 1980-82 for Coimbatore District. Canara Bank, Development Wing, Bangalore, n.d. (April 1980).

9. From an advertising pamphlet on the Multi-Service Agency, issued by the Bank of Baroda.

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